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SURVEY OF CHINA'S MINERAL RESOURCES

By JAMES A. RABBITT

Introduction

The power-producing minerals, coal and petroleum, form the sub-base for the modern industrial foundation which must depend on other minerals, ferrous and non-ferrous, as well as the three fundamental materials for inorganic chemical industries: common salt, sulphur and limestone.

China's use of coal, iron, copper and gold, since ancient times, and the vivid reports of early travellers on the vastness and richness of the country have been responsible for the legendary belief that it is a country of untold mineral wealth. The widespread occurrences of minerals were erroneously interpreted by early observers to imply abundance.

Recent investigations by scientific methods have failed to substantiate these early assumptions excepting for coal, tungsten and antimony, with a limited supply of iron, tin and salt. There is a deficiency in oil, gold, silver, copper and related minerals.

As far as China's recent economy is concerned it has been purely vegetable instead of mineral.

In the following survey an attempt is made to evaluate the mineral resources and potential for production necessary to support a modern industry. These statistical data, although drawn from the most reliable sources, are bewildering in their varying values. The disagreement among the experts on the estimated reserves does not give a complete picture of the difficulties entailed in proving these reserves or putting valuable deposits into production. This condition was ameliorated to some extent in 1928, by the Chinese National Government when it took control by mandate of reserves of oil, iron, copper and coal.

Mining Laws

In 1930 Mining Law stimulated private mining industry through which concessions numbering 827 in 1929 rose to 2,652 by July, 1937, covering an area of over 20 million acres.

By revisions of the 1930 Mining Law, in October, 1937, and July, 1938, foreign participation in mining ventures was permitted when approved by the Ministry of Economic Affairs. Such foreign participation was permitted only when more than 50 percent of the capital was owned and controlled by Chinese and where the majority of the board of directors were Chinese. The law further provided that Chinese shareholders were prohibited from transferring their shares or rights or mortgaging them to foreigners. There is no doubt about the Chinese desire to attract foreign capital in remote enterprise, but these terms should help to reduce the number of foreigners losing fortunes in China.

(I.) COAL

(a) Reserves

Although China's coal is generally accepted as of first importance in the mineral

wealth of the country, estimates of reserves vary from about 230 billion tons by Wong to 997 billion tons by Drake. The latest available estimate by Wong is 238.5 billion tons, excluding Manchuria, which checks closely with our estimate of 238,437,000 compiled from various reliable sources.

To the above may be added the reserves for Manchuria, compiled from several sources, amounting to 19,964,260,000 tons, which makes a total of 258,401,260,000 tons which checks fairly well with the estimate made by Stamp of 250 billion tons.

From the foregoing we may safely estimate the total coal reserves for China, including Manchuria, for post-war industrialization at about 260 billion tons.

(b) Locations of Coal Deposits

The locations of the coal fields were mapped by Drake for his report to the International Geological Congress in 1913, slightly modified by Bain in 1924 and further modified by Behre and Wong. The Drake survey included all seams of one foot and over in thickness to a depth of 4,000 feet. Seven years after Drake's report was made, the Geological Survey of China published the first official estimate, considering only seams of three feet and over at depths down to 3,000 feet, which resulted in a total of but one-fortieth of Drake's figures. Subsequently, periodic surveys were made under the able guidance of Dr. W. H. Wong, which raised their original estimates considerably but never to more than one-third of Drake's estimate.

Dr. J. S. Lee of the National University of Peiping, provided Stamp with a description of the location of various coal groups from which the following paragraphs have been abstracted, with reserves added by the writer. Because of the Chinese mineral development in Western and Southwestern China during the war we have renumbered the group areas and have also added the Sikang Area.

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The deposits form twelve distinctive groups of coal fields, as described below. These coals range from the Lower Carboniferous to the Tertiary. The Permian and Jurassic coals are the most important. Aside from the good bituminous coals of the Fushun fields in Manchuria, the other Tertiary are better classified as lignites, which may prove significant and have special importance to the problem of obtaining oil.

The 12 Groups of Coal Fields

(1) *The Fields of Shansi and Shensi* have an estimated reserve of nearly 200 billion tons (721 billion estimated by Drake). The most important section consists of three longitudinal blocks, the middle one being sunken and subdivided into three basins: Fenho in the south, Ningwu, and Tatung in the north. Older coals appear below younger sediments. The eastern block in Shansi forms a vast field with seams but gently folded comparable to Pennsylvania. The western block of Shensi has a centre ridge of older rocks with seams up to 30 feet sloping on either side in a field covering 40,000 square miles.

(2) *The Peiping Groups* extends from the foot of the Taihangshan Mountains at the northeastern edge of Shansi Plateau and from Peiping eastward to Kaiping, and southward into Hopei to northern Honan. This group includes about 40 coal basins with an estimated reserve of about $9\frac{1}{2}$ billion tons, all more or less accessible to the Peiping-Hankow Railway and considered to be of excellent quality with much anthracite; they have provided the bulk of China's output up to the present.

(3) *The Shantung Group* has several fields in Shantung, northern Kiangsu and northeastern Anhwei with approximate reserves of over two billion tons. Many fields are operated by modern methods producing bituminous coals.

(4) *The Southeastern Group.* Very small fields occur along the southeastern coast and the Lower Yangtze Valley in the Provinces of Southeastern Anhwei, Chekiang and Fukien, with a total of over half a billion tons.

(5) *The Central Hunan Group.* There are very small fields with coal of moderate quality in the fields of Hupeh and Kiangsi, having a total reserve of over three billion tons.

(6) *The Red Basin* in the Province of Szechwan has an estimated reserve of nearly 10 billion tons and a Jurassic single seam $1\frac{1}{2}$ feet in thickness is presumed to exist throughout the Basin with more important Permian seams south of the Basin in Kweichow, having a reserve of one and a half billion tons. Therefore, the total reserves for the Red Basin are estimated at approximately $11\frac{1}{2}$ billion tons.

(7) *Kwangtung-Kwangsi Group.* This group consists of very small thin seams of inferior coal with an estimated reserve of over one-half billion tons.

(8) *Yunnan Group.* In this area there are small scattered fields of highly disturbed deposits of doubtful value with a total estimated reserve of over $1\frac{1}{2}$ billion tons.

(9) *Sikang Group.* This is not included in the Geological Survey but is reported as a source of coal for Western China, with a reserve of 8 million tons.

(10) *The Northwestern Group.* These fields with an estimated reserve of about 8½ billion tons, are in the mountain-locked basins of the Nanshan Range in the Provinces of Sinkiang, Ninghsia, Kansu and Chinghai where transport difficulties are enormous. The deposits are located mainly along the Altai, T'ien Shan and K'un-lun Ranges. They are reported as ranging from bituminous to anthracite and many large veins are near the surface, ranging from 10 to 30 feet underground, suitable for open cut mining.

(11) *The Northern Group.* This group covers the fields in the Provinces of Suiyuan, Chahar and Jehol, close to the Manchurian border, having an estimated reserve of $1\frac{1}{2}$ billion tons of coal, highly folded and in mountainous zones.

(12) *The Manchurian Group.* The geological formation of Manchuria may be divided by a line on North Latitude $52^{\circ}15'$ passing between Mukden and Tieling. In all regions to the South of this line including the Liaotung Peninsula, the Paleozoic stratum appears and the coal fields belong to the Permian carboniferous period with considerable quantities of anthracites in such fields as Fuchou and Yentai and large quantities of high-grade bituminous coal in the Pehsihu and Tunghua fields.

In regions to the North of this line, the Mesozoic stratum is exposed, and all coal fields at Hokang, Titao, Hsian, Fuhsin, Peipia, Pataohao, Chihfeng and Chalanor produce either bituminous coal or lignites, including the deposits along the line in such fields as Fushun and Chientao.

This area has an estimated reserve of nearly 20 billion tons.

All of the coals in the groups 1, 2, 3, 10, 11 and 12, are north of the Tsinglingshan Range and include the most valuable coal bearing areas in China, containing more than 80 per cent of the total estimated reserve.

South of the Tsingling line the strata are highly disturbed, with small coal fields with poor and thin seams occurring in intermontane basins involved in sharp folds or in small patches.

(c) Quality

The quality of Chinese coals, like the reserves, has been the subject of varied evaluations. According to Read, "The coals of China are as varied in quality as those of the United States but this difference should be noted: the amount of lignite is comparatively small and the proportion of anthracite to bituminous is relatively larger than in the United States. Willis has estimated that the anthracite resources of Shansi and the adjacent fields are practically equal to those of Pennsylvania."

(d) Coal Industry and Production

There is an old adage in China that no city can prosper unless built over iron and coal.

The history of the coal industry in China is as old as that of iron for which production figures are given as early as the Han Period. As a result of this ancient tradition, it was natural for Nationalist China to focus its attention from its beginning on the development of the coal industry.

By 1923, 46 per cent of the coal industry was controlled by Chinese capital. Nevertheless, after the series of counter-revolutions during 1923-1924 and the joining of the National Revolutionary Forces with the Chinese capitalists between 1924 and 1927, when the Nanking Government came into power, industrial progress was mostly confined to industries controlled by foreign capital.

By 1928, the Chinese-controlled share in the coal industry had dropped to 18 per cent and metallurgical plants from 30 per cent to 10 per cent, while during the same period the foreign controlled textile industry increased about 50 per cent. Similar foreign increases were recorded in flour milling, tobacco, and other manufacturing enterprises.

It is probable that the falling off in the percentage of Chinese capital in the coal industry was due to an increase in companies financed and operated jointly by Chinese and foreign interests as well as an increase in the principal foreign collieries operated by British and Japanese, particularly those in North and Central China and Manchuria, where the largest coal mining properties were in operation along modern lines.

In 1936, there were thirty-one large collieries in operation, nine in Manchuria, 14 in North China, six in Central China, and one in South China. The annual production was as follows:—

COAL PRODUCTION IN CHINA PROPER, 1931-1936 (IN THOUSAND TONS)

	1931	1934	1935	1936
Hopei	7,660	7,740	7,028	6,658
Shansi	2,266	2,700	1,850	2,000
Shantung	2,094	3,504	3,950	4,377
Honan	1,845	2,130	1,014	1,765
Total	18,027	20,897	21,613	22,250

Note: (Total includes other provinces).

With the outbreak of hostilities in 1937 and the withdrawal of Chinese forces into the West, the Chinese became dependent upon small and primitively worked mines producing various, as a rule rather inferior, grades of coal, but allowing of considerable expansion. Coal supplies were comparatively plentiful and were by no means one of the major bottlenecks of industrial production. The Ministry of Economic Affairs developed a number of new coal mines in Southwest China (thirteen of which were placed under operation by the National Resources Commission) the production from which in eleven Provinces reached 5,716,269 metric tons in 1940.

Principal Coals Produced in China
(including Manchuria)

Coal Basin	Principal Mining Company	Capacity of Production Per Yr. in 1,000					Coke	Nearest Sea or River Port
		Tons	Moisture	Volatile	Ash	Sulphur		
Kaiping	Kailan Mining Adm.	5,000	0.68	21.03	10.52	0.96	Cokes	Chingwangtao, Tientsin
Lincheng	Lincheng Mining Adm.	300	1.12	30.73	11.60	1.27	Cokes	Hankow, Tientsin
Chinghsing	Chinghsing Ming Adm.	800	0.89	27.97	9.64	1.45	Cokes	Hankow, Tientsin
Fushun	Fushun Coal Mine	6,800	6.58	37.85	1.92	0.43	Non-Coking	Dairen, Yinkow
Penhsihu	Penhsihu Mining Co.	400	0.56	23.38	7.07	0.48	Cokes	Dairen, Antung
Tsuchuan and Po-shan	Lutao Mining Co. and others	1,300	0.88	12.47	7.31	0.89	Cokes	Tsingtao
Yih sien	Chunghsing Mining Co.	800	0.10	26.80	9.82	0.59	Cokes	Pukow
Anyang	Liuhekou Mining Co.	500	1.33	13.35	10.35	1.06	Cokes	Hankow, Tientsin
Hsiuwu	Fuchung Corporation	1,300	2.90	6.05	9.88	0.41	Non-Coking	Hankow, Tientsin
Pinghsing	Pinghsiang Mining Co.	900	1.35	23.72	13.92	0.45	Cokes	Hankow, Tientsin
Tatung	Several Companies	400	5.78	25.51	6.20	—	Non-coking	Tientsin

(c) Coal Production—Manchuria

The latest production figures available for Manchuria show 12,187,000 tons for 1935, and 13,576,000 tons for 1936. According to the Japanese Five Year Plan for the industrial exploitation of Manchuria, the demand for coal was expected, by 1941, to increase to 26,945,000 tons, (equal to more than China's total production), presumably to be supplied from Manchurian coal deposits.

(II.) COKE

(a) Production

Bain states that: "China's (coal) reserve is all the more important since it is only in that country that any considerable supply of coking coal is known in the Far East. Even so the known fields of good coking coal are not numerous. In Manchuria the Penhsihu Field stands out. In Northern Chihli (Hupeh) the Kaiping coal, in Jehol the Pei Piao, and perhaps others will coke. In southwestern Chihli, the Liuhekou coal, especially has a good reputation for coking. In Shantung, the Yih sien and other coals coke and in Honan, Kiangsi, Hunan, Yunnan and other Provinces, coking coal is found."

Production of coke in 1940 is given as 18,456 tons by the Foreign Minerals Quarterly with exports of the same quantity: 3,349 tons to Korea, and 14,813 tons to Kwantung Leased Territory.

From reliable sources the writer has learned that the Kailan Mines were chief among the Chinese sources of coking coal for Japanese coke plants. The Ching Shing Coal Mining Company at Shihchiachwang, Hopei, had a pre-war maximum coke capacity of 120 tons for 24 hours the Shanghai Gas Company, Ltd., British-owned, is credited with a 1940 output of 30,000 metric tons, and the Greater Shanghai Gas Company, Chinese-owned, 1,874 metric tons.

(b) Production—Manchuria

The coke production for Manchuria as reported in the Manchuokuo Year Book, 1941, gives the following figures:

1927	.....	310,290 m.t.
1932	.....	408,057 m.t.
1933	.....	458,664 m.t.
1934	.....	577,979 m.t.
1935	.....	654,038 m.t.
1936	.....	735,787 m.t.

The Japanese stopped publication of statistics on strategic commodities in July, 1937, but information from reliable sources has been obtained which gives the Japanese wartime (1942) production of coke in Manchuria as follows:

Anshan (4 plants, 34 batteries, 1,340 ovens)	6,114,000 tons
Kirin (2 plants, 2 batteries, 112 ovens)	561,000 "
Dairen (1 plant, 1 battery, 35 ovens)	98,000 "

Total

6,773,000 tons
The production of such a quantity of coke in by-product coke ovens would require approximately 10 million tons of coal which would be within two million tons of the total produced in Manchuria in 1935. This also leads to the assumption that there was a considerably increase in coal production in Manchuria during the war period.

The plant facilities for by-product coke production as outlined above were actually installed in Manchuria, and therefore the capacity as listed is correct. Although

many of these plants have been destroyed and dismantled, it is obvious that they could be reconstructed for use in China's post-war iron and steel industry, thus giving China a post-war coke production potential of approximately 7 million tons.

(III.) PETROLEUM

(a) Reserves

Oil fields in China are principally confined to the North, Central and Western Provinces including Shensi, Hopei, Kansu, Sinkiang, and Szechwan. Some oil has been reported in Kweichow and Chekiang but not in commercially important quantities.

A Chinese Government publication quoted a report by the Standard Oil Company on the result of explorations in Shensi and Szechwan in 1920 as indicating a reserve of 1,375 million bbls.

In addition to the above, there are reported to be oil shale deposits in Shensi of 5 billion tons of a grade producing 6 to 8 gals. per ton, or 852 million bbls. of oil.

The most productive source of petroleum is from oil shale in Manchuria which has been reported by Japanese sources as having a reserve of 7,628,000,000 m.t. of a grade of about 5.5% and of this quantity, 5,400,000,000 m.t. are located at Fushun. The above reserve would be equivalent to 2,937,396,000 bbls.

(b) Production

The only operating wells in China Proper were those in Shensi, Hopei, Kansu and Sinkiang and Szechwan. Rowe gives the pre-war production in China Proper as 640,000 bbls., and 3,000,000 bbls. from Manchuria.

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(SECOND PART of the SURVEY OF CHINA'S MINERAL RESOURCES will be published in our next issue, No. 28 of November 19, 1947.)

HONGKONG TOWN PLANNING.

Sir Patrick Abercrombie whom Hongkong has been awaiting with great interest has at last arrived in the Colony and it is eagerly expected that he will deal decisively with the problem which has for the last eighty years hampered the development of the island from East to West. A succinct and cogent statement of the problem was recently made by Mr. H. G. W. Woodhead, C.B.E., in the October 1st issue of this Review entitled "Hongkong Naval and Military Lands for use of City Development."

In the early eighteen eighties a commission was appointed to enquire into the tenure of Crown Lands in the Colony. The overcrowding in the City of Victoria had become a menace to public health. A controversy had long been waged on the subject of the position of the Army and Navy Headquarters and Naval Yard which prevented the commercial and residential development of the narrow strip available between the sea and the steeply rising hills and divided the city into two parts separated from each other by about half a mile except for a link served by a single road. The Commission recommended that the Naval and Military Headquarters including the Naval Yard should be removed from the centre of the town and a solution of the difficulty appeared to be in sight as the Military Authorities were not unwilling to move their headquarters, but the Naval Authorities although by no means unanimous proved uncompromising with the result that the barrier to development along the sea front has remained till to-day.

The establishment of the Army and Navy in their present stronghold goes back to the early part of 1841 after the first cession of Hongkong. The Navy after considering the rival claims of Causeway Bay and Aberdeen decided on Navy Bay and established store houses and a depot on the sloping shore. The Army chose two sites, the principal being on Cantonment Hill, later known as the "Artillery" and later still as "Victoria" Barracks reaching the sea opposite to the present Wellington Barracks.

In the first few years after its occupation Hongkong proved so devastatingly unhealthy that a recommendation was sent home for its abandonment as a notable failure. The death rate amongst the troops had been appalling. The "Artillery" Barracks were badly contrived and regarded as pestilential and death generating. In 1847 they were replaced by what were then termed "the magnificent construction of barracks and hospital"—Murray and Wellington Barracks—monuments to the ability of Major-General D'Aguilar, to whom also belongs the credit of the provision of a substantial residence for the G.O.C.—Flagstaff House—which had the reputation of reflecting the convivial temperament of its founder.

MALAYAN LETTER

The main impressions conveyed during a recent tour of Malaya and Singapore were of a country of vast potential wealth working arduously and to an extent successfully in its efforts at rehabilitation but troubled with political uncertainty which has given various racial and political factors otherwise irreconcilable an opportunity to join in opposition to the political framework designed for its future.

From an economic standpoint hopes were buoyed by the steady rise in the price of rubber despite the cessation of Russian buying, while expectations for the tin industry were confident though long deferred. One symptom of the expansion of business in Singapore itself was the extension of the Hongkong & Shanghai Banking Corporation which is building a new branch office in the rapidly growing business and residential quarter of Orchard Road. The foundation stone of the magnificent new building will be laid by Mrs. MacDonald the wife of the Governor-General on November 22.

In Singapore there seemed to be no enthusiasm for the political reforms embodied in the new constitution for the Crown Colony. Early next year elections are to be held for the new Legislative Council. So far less than 20% of the adult British subjects in Singapore have placed their names on the electoral roll. There are to be six elected members of the Legislative Council which is to have an unofficial majority and a special representation for European, Chinese and Indian merchants. In Singapore the Home Government has provided for adult suffrage for British subjects only, whereas in Hongkong it has considered it not un-

Magnificent as these encampments were in 1847 situated in the centre of the city athwart its only road from east to west, the time has now, after the lapse of a century, come not only in the interest of the City but from the point of view of more modern ideas on the welfare and comfort of our forces, that the present pre-Crimean anachronisms should be demolished, the land sold, and modern buildings built elsewhere.

If finance is a consideration Mr. Woodhead has proved conclusively that the operation would yield considerable profit.

It is greatly doubted whether the Army would offer any opposition and would not actively welcome the change. Whether any strategic reason remains for the retention of the Naval Dockyard where it is, and whether a more modern and convenient a position can not be found elsewhere in the Colony is a matter which should be considered from a far sighted point of view rather than from that of the inconvenience of any temporary dislocation. The Navy has ever been farsighted in its choice of sites, but those chosen owing to the limitations of a century ago, may not be the best adapted to the needs of to-day.

wise to extend it to all races and nationalities. Both innovations are considered a bold step forward and a training for wider responsibilities.

The most encouraging feature in the political atmosphere of Malaya and Singapore is the outstanding ability, statesmanship and popularity of the Governor-General Mr. Malcolm MacDonald. He has shown the people of Singapore the absolute necessity of supporting the pending elections as a constitutional means of development and to defeat the boycott and hartals organised by the forces of disunion.

The Governor General made a broadcast on October 19th on the eve of the hartal staged against the Revised Constitutional proposals accepted by His Majesty's Government for a Malayan Federation. The hartal was organised largely by the well known Malacca Straits born Chinese merchant and former member of the Legislative and Executive Council in conjunction with Chinese Chambers of Commerce and other associations. The hartal on October 20 was superficially a success; shops were closed and business stood still. But its success was manifestly due to an underlying fear and not to any common purpose actuating those who conformed with the edict.

It is unfortunate that the constitutional changes designed by the Labour Government immediately after the re-occupation of Malaya offended the Sultans and the Malaysians who form about 43% of the population while the revised proposals are considered to favour the Malays at the expense of the Chinese and Indians. The Chinese in particular point out that whilst not all Malays are local born, many having come in recent times from Java and Sumatra, the Chinese in 1940 numbered 2.4 million out of a population of nearly five and a half million many born and descended from many generations of Chinese in the Straits. They have contributed far more than the Malays to the prosperity and wealth of the country which they regard as their home without enjoying equal political rights and administrative opportunities. The problem of uniting into one people for government purposes of such divided and irreconcilable elements is in the words of Sir Richard Winstedt "an insurmountable obstacle to self government within any time that can be foreseen." In the meantime a via media must be found in a federation which is capable of some administrative unity now and modification in the future. Those elements, however, which bring the Indian hartals into Malaya and join for their purpose with dangerous elements and groups who are serving their own ends are playing with fire and are more likely to injure their own cause by resorting to disruptive tactics.

Mr. Malcolm MacDonald in his broadcast on the eve of the hartal condemned the opposition in words which admit of no answer and which are worthy of reproduction:

Broadcast of the Governor General

"If we in Malaya had to wait until the various bodies who are co-operating in to-morrow's demonstration could all agree on a Constitution for the country, we should probably never have any Constitution at all.

"The public of Malaya would reel from hartal to hartal. The fact is that many differences of opinion exist between the various communities and interests as to what is the right Constitutional plan."

Mr. MacDonald said the hartal was organised by several organisations in protest against the Constitutions of the Federation and Singapore. "However small or great the public response to their appeal may be," he said, "do not let anyone be misled into supposing that they represent a large and united body of opinion on the Constitutional issue.

"They represent nothing of the kind. "If the Chinese Chambers of Commerce, the Communist Party, the Council of Joint Action and the Federation of Trade Unions, who are co-operating in the hartal, sat down to co-operate in formulating their own proposals for a Constitution, their deliberations would break up in disputes and disagreements.

"They would produce several different Constitutional plans.

"The Constitution expressing the desires of the Chinese Chambers of Commerce would be so repugnant to the Council of Joint Action that the Council would presumably feel impelled to call a hartal to protest against it.

"The Constitution favoured by the Federation of Trade Unions would be so far removed from what the Chambers of Commerce considered prudent that the Chambers would no doubt hold a hartal to oppose it.

"Any Constitution which enshrined the real aims of the Communist Party would cause such dismay amongst their colleagues of to-morrow that they would unanimously express their opposition in a hartal."

The wise solution to the Constitutional problem, said Mr. MacDonald, had inevitably to be a compromise between the many differences of opinion existing between the various communities.

"Whatever may be the virtues and the defects of the new Constitutions said, "I believe they are the best compromises which we can secure in pre-fer to the Federation and Singapore," he sent circumstances.

"Moreover, both Constitutions are long and firm steps towards the achievement of self-government.

"Let me say a few words about the most delicate problem in the politics of Malaya. Any realist can see where the main difficulty lies.

"It lies in mutual suspicions between different racial communities, especially between the Malays who are the indigenous people of the country and the Chinese who have played an immense part in its development.

REPORT ON THE SITUATION IN MALAYA

The economy of British Malaya is centred on the production and export of rubber and tin. As world market prices may develop in favour of these two products the economic well-being of the people of Malaya should be enhanced; however, it is the misfortune of post-war Malaya that rubber and tin are quoted at the international commodity bourses among the lowest priced raw materials compared to 1939.

Rubber production has been large and continues to rise making Malaya the principal producing area in the world. While in January 1946 only 12,000 tons were produced on the Malayan estates December of that year recorded already 55,600 tons. For 1946 total production was 410,400 tons or 95% of the average annual production (taking 1931-39 as base). For the current year the output will exceed 650,000 tons.

The price position was reviewed in our issue of Oct. 8, p. 459, when the difficulties facing the rubber estates were stressed. The current price which New York offers is inadequate and causes the larger estates to suffer losses while small estates are able to pay their way. The expected advance in quotations on the New York forward market may change the present outlook for the better. While now around 29 Straits cents

per pound are paid in Singapore (against 43 cents at the beginning of 1947) the anticipated rise may eventually result in 35 cents a price at which production would regain partly its former prosperity.

Tin production has been slow and lags behind the prewar level. The reasons for this slow recovery in Malayan tin mining like destructions, flooding, lack of maintenance, late arrival of dredgers and machinery were outlined in our issue of Oct. 8, p. 459. The 1946 output was less than 10,000 tons against a pre-war average of 52,000 tons. January 1947 saw a production of 1,500 tons but in July already 3,300 tons have been mined; progress has been achieved and one may expect over 20,000 tons of Malayan tin for 1947.

The price position is unfavourable for mining companies although against pre-war the present fixed rate (by Combined Tin Committee) is 100% higher. A revision of the fixed price is anticipated but not in the immediate future.

Next to rubber and tin Malaya's economy depends on the production and exportation at profitable prices of coconut oil and copra. The aggregate output of these four products of Malaya and the vagaries of the world market prices decide the volume of possible imports.

Malaya's population being rice eating and not producing this staple is forced to spend much of its foreign exchange on the financing of rice imports. Other foodstuffs and textiles make up for the majority of expenditure of Malaya abroad.

While coconut oil and copra are selling abroad at approx. as high a price as most other principal foodstuffs, rubber and tin—the mainstay of Malaya's exports—yield respectively the same price or less as before the war and about double the price of 1939. However, all prices of required imports have considerably risen in price which fact explains the relative impoverishment of post-war Malaya. In 1939 the purchasing power of one pound of rubber was many times higher than it is today; during this year one pound of rubber only buys one fifth of rice as compared to 1939; it buys respectively one half, one fourth, one fifth and one sixth of milk, flour, sugar and textiles as compared to 1939.

To some extent Singapore's revenue from a greatly enlarged entrepot trade has improved an otherwise not encouraging situation. Singapore's prosperous transit trade will continue probably for a few more years. Although superficially there is prosperity in Malaya the

"Inter-racial suspicions have existed in other countries. They existed, for example, in Palestine. They existed in India.

"What has happened in those places can happen here, if we do not find the ways of restraint and tolerance and co-operation.

"We British in Malaya are sometimes accused of increasing the difficulty by favouring one community against the others.

"That is the last thing that we wish to do, for friendly co-operation between all races in Malaya is the rock on which must rest its peace and prosperity.

"For our part, we are impartial.

"We are criticised for agreeing that the Malays should have a majority of the Unofficial members of the Legislature in the Federation of Malaya.

"That is called favouritism.

"But under our proposals for Singapore the Chinese will almost certainly have a majority of the Unofficial members in its Legislature.

"I have not heard any of my Chinese friends suggest that that shows improper favouritism.

"The fact is that in each case the proposal is fair and right. The Malays are a clear majority of the inhabitants of the Peninsula who regard Malaya as their permanent home and the object of their loyalty, and the Chinese are a majority of those people in Singapore.

INDUSTRIAL NOTES & REPORTS

FOOD CANNING INDUSTRY

The flourishing food canning industry here has received effective support by Government (through Dept. S.T. & I.) practically since the termination of war when tinned

fact that demand for imported goods cannot be met fully reveals the weakness of the country's economy.

So far imports were largely financed from reserves both from stocks held by the rubber estates and tin mines and from accumulated sterling balances. Unless there will be an improvement in the world market price position of rubber and tin with a corresponding lowering of prices for essential import requirements of Malaya, the economy of Malaya cannot be viewed, calmly. The profits made and to be made in the entrepot business of Singapore are welcome but cannot materially change the allround picture.

The Malayan budget remains to be balanced which is a difficult task on account of the instability of price which necessitates repeated revisions of the estimates. The reserves of the Malayan Union on April 1, 1946 totalled Str. \$210.3 million but it is expected that by the end of this year most of them will have been expended while the public debt will have augmented to \$80 million. Reconstruction expenses are responsible for the heavy loss of funds. For 1948 total expenditure by Government is estimated to reach 240 million but estimated revenue is only 200 million; it remains of course to be seen whether new taxes and tax adjustments will not produce a higher revenue than was estimated.

The circulation of Straits dollars, as on January 1, 1947 has increased 3½ times compared to pre-war in spite of the fact that trade returns show (as regards tonnage) a much reduced level. The increase is largely due to the advance in prices of most goods in the post-war world, a consequence of universal shortages and rising demands. Malaya has been fortunate however, as a large volume of invisible exports viz. military reconstruction and garrison maintenance expenditure by the British authorities have temporarily improved the foreign exchange position.

Monetary circulation in January 1939 amounted to Str.\$105 million. It increased to 222 million in February 1942 and reached in April 1947 410 million. During the same period the index of retail prices of Singapore advanced from 100 in 1939 to 428 in 1947. Thus the increase in general cost of living and monetary circulation were almost identical.

plates were procured from stocks of the International Tin Committee. Since tin remains a world controlled raw material the supply of tins, at official price, is essential for the prosperity of the local food canning industry. The factory owners were very appreciative of the assistance rendered by S.T. & I. whose positive service has proved of great benefit to a few thousand people who find employment in this important sector of the local industry.

The principal consumers of tinned plates are the following food canning industries:—Fish and meat canneries, gourmet powder makers, confectioneries and biscuit and candy factories, canneries of vegetables, fresh and preserved fruits, pickles, sauces, ginger, tea, vinegar, malt and honey, various edible vegetable oils.

Imports and exports of tinplate are regularly (once a month) recorded in the columns of this Review; our chief suppliers are the U.K., Malaya and the U.S. while some re-exports are shipped to China and only recently also to Korea.

The individually largest consumers of all canneries here are the gourmet powder and biscuit factories but fish and meat canneries follow closely. Production of tinned foodstuffs depends on the vagaries of the markets abroad. Hongkong consumes but little of locally tinned foods. Production is practically only for export to Malaya, Siam, Philippines, Netherlands Indies, Indochina, very little to America and to China. Since the rigid enforcement of import controls by China makes business with China a very trying proposition, furthermore the depreciating value of Chinese money often causes losses to local sellers, the recent trend of canned foodstuffs sales to China has been distinctly on the downgrade. No hopes are entertained for an improvement as regards China as a customer.

The principal buyers are in Singapore and Malaya but the rubber price depression there has caused a decrease in purchasing power of the Malaysians. Consumption there of locally tinned foodstuffs is today much lower than in 1939, not to mention the prosperous year of 1941. Local manufacturers of most tinned goods, with few exceptions only, have not been able to keep production up to an equal standard; the lack of uniformity in quality has often occasioned complaints and the eventual loss of customers.

The competition of tinned goods from such countries as Australia, the U.S., Canada etc. has been almost too much for the local products. Overseas Chinese have, however, rescued many local manufacturers as they continued buying in spite of cheaper prices and better and more

reliable quality offered by non-Chinese suppliers. On the other hand, as oversea Chinese have largely retained their eating habits they prefer food and essences a la Chinoise. This conservative trait has aided the local canning industry.

Many difficulties were experienced by local exporters when their tinned goods arrived in the U.S. The lack of proper preparation has sometimes caused putrefaction and there were many other claims advanced by American buyers which finally led to a virtual import ban on tinned goods coming from China and Hongkong. Thus the market in the U.S., which in prewar years helped to maintain production of many local food canneries, is temporarily closed although the hope remains that good quality and reasonable prices will eventually change the attitude of both U.S. authorities and most prewar customers. (c.f. our issues of Oct. 8, p. 448/9; and Oct. 22, p. 503).

HONGKONG INDUSTRIAL REPORT FOR OCTOBER

During the month of October, 42 new applications by factories were received by Hongkong Government of which 21 were granted registration. Of the newly registered factories and workshops six are located on the Island and 15 on the mainland, namely, six weaving factories, four knitters, each two saw mills, tin can workshops and electric bulb producers, as well as each one glass, rubber ware, button, engineering and flour-rice milling factories.

The total number of factories and workshops which applied for registration as at Oct. 31 was 1,231. Registration certificates issued up to Oct. 31 totalled 832, of which 222 in Kowloon and 610 in Hongkong.

A general improvement in the position of the Colony's industries was reported in October, with most of the rubber goods, torches, textile, glass wares, hats, and hurricane lamps factories as well as dye works and foundries experiencing better business than during the previous month. Many large hosiery factories were, however, idle owing to the lack of English rayon.

After nine months of precarious operation during which period many suspended work due to lack of orders, the Colony's rubber goods industry received many inquiries and orders since the middle of October. Some of the idle factories resumed functioning and at present almost every of the Colony's 50 odd rubber

goods factories are now turning out shoes and other rubber made products.

By the third week of October, the big order received in September from the Chinese Army for 700,000 pairs of rubber shoes was completed. At present, the factories are negotiating for two additional Chinese Government orders, one totalling 1,000,000 pairs for the Chinese Navy and the other 100,000 pairs for the Army. The Chinese official buyers offered \$2.30/\$2.40 per pair, which is barely enough to cover the local production cost. The present cost is \$28 per dozen pair. However, local manufacturers expect that the Chinese Government will revise its offer so that the 1,100,000 pairs orders can be concluded and thus keep the local rubber goods industry going on for sometime.

The favourable production schedule experienced by the rubber goods industry in October was attributed to the repeat orders from the Philippines. According to the Hongkong Rubber Industrial & Commercial Association, the Philippine market requires 17,000 pairs of rubber shoes of various sizes and styles every day. Apart from the native production and the supply from the United States, the Philippines may still require 6,000-8,000 pairs from other places. The present total output of the Colony's rubber goods factories is 6,000 pairs daily, all of which can be easily absorbed by buyers in the Philippines if local prices are found agreeable in Manila.

Locally produced rubber shoes are exported by factories themselves, only a small part through the recently formed Hongkong Export Association. Some factories here are under the erroneous impression that exports are facilitated by the Hongkong Export Association which is a private organisation.

Local rubber toy making industry is also doing a flourishing business and producing a total of about 5,000 dozens of toys daily. Due to the approach of the X'mas season the Philippines, Malaya and Siam placed orders here for toys prices of which range from \$3 to \$20 per dozen according to size and quality.

The local cotton cloth weaving industry has not yet concluded the deal with African merchants who desire to purchase 60,000,000 yards of cloth from here (see our last issue). The main obstacle remains the difference in price. Negotiations in this respect are still underway.

African merchants recently also inquired into the local hurricane lamp production. Although they did not mention the number of lamps they would purchase, they told hurricane lamp manufacturers the merchants could possibly absorb the greater portion of the present monthly output which is around 100,000 dozens. Local manufacturers' prices are \$45 for A. Class, \$37 for B. Class and \$32 for C.

Class lamps per dozen, all ex-factory prices. The prices offered by African merchants are \$36, \$29.6 and \$25.6, respectively, cif Bombassa. These offers are about 20 percent lower than the manufacturers' quotations. Hurricane lamp producers are still continuing negotiations with African merchants.

The Colony's labour forces in factories and workshops registered with Hongkong Government increased by 1.6 percent, or 948 workers in the third quarter of the year ending September 30, 1947, when compared with the previous quarter. Approximately 30 percent of the increased number of labourers is due to the introduction of three new industries into the Colony. One cotton spinning mill, which started erecting its factory buildings and installing machinery in August, took on 232 workers, mainly women for building construction and fitters and engineers for installing the machinery. The other two new industries are: one cloth calendaring factory employing 85 labourers and one fur processing factory with 24 workers.

The textile industry's labour force increased by 1,043, workers in the clothing industries by 520 and in rubber ware factories by 357. Of the group of industries whose labour strength registered increases in the current quarter when compared with the previous quarter are: electric engineering by 20, construction and repair of vehicles by 76, other metal industries by 907, food, drink and tobacco by 346, leather and leather goods and fur by 27, other manufacturing industries by 680, laundry by 44 and miscellaneous by six.

HONGKONG ELECTRIC POWER PLANTS

The China Light & Power Co. Ltd., supplying lighting and power in Kowloon and the New Territories, has at present a total plant capacity of 30,000 k.w. but expects within the earlier part of 1948 to increase its capacity, due to the arrival and operation of new plant (a 20,000 k.w. turbo alternator and high pressure boiler), to a total of 50,000 k.w.

The Hongkong Electric Co., Ltd. having a higher capacity, generates at present more electrical power and will also next year exceed the capacity and output of China Light & Power Co.

The charges for lighting and power of China Light & Power Co. are higher than those of Hongkong Electric which fact has previously led to several protests by sectors of the consuming public in Kowloon who were dissatisfied with the continued high scale of fees.

In our issue of Oct. 15, p. 473, the position of power plants here was reviewed.

THE HONGKONG ELECTRIC CO., LTD.

The Hongkong Electric Co., Ltd. is a public Company which was registered in Hongkong on January 24, 1889. The Company was formed in order to supply electrical energy to Hongkong and Kowloon, and for other ancillary objects.

System

Generating Plant: One 15,000 K.W. B.T.H., one 10,000 K.W. Brush, one 5,000 K.W. B.T.H., two 5,000 K.W. English Electric, one 1,500 K.W. B.T.H. Turbines.

Boilers: One 32,000 lbs., two 25,000 lbs. Babcock & Wilcox, two 75,000 lbs. and two 100,000 lbs. Stirling.

Distribution: 6,600 Volts, 3 phase, 50 cycles and 346/200 Volts, 3 phase, 4 wire, 50 cycles. Cables: Paper covered armoured laid direct. Cross Harbour Cable (interconnection with China Light & Power Co., Ltd.) Capacity 3,000 K.W.

Prices Charged as at Oct. 1, 1947:—

Lighting 37 cents per unit less discounts per following scale:—

Units		Rate (HK cents) per Unit	
1 to	159	@	37
160	" 625	@	35.15 5%
626	" 1,565	@	33.3 10%
1,566	" 3,125	@	31.45 15%
3,126	" 6,250	@	29.6 20%
6,251	" 9,375	@	27.75 25%
9,376	" 12,500	@	25.9 30%
12,501	" 15,625	@	24.50 35%
15,626	" 18,750	@	22.2 40%
Over	18,750	@	20.35 45%

Power: 14 cents per unit (no discounts).

Thermal Storage Water Heaters: 11.5 cents per unit.

Bulk Power Prices are always quoted on application.

Directors: Mr. N. O. C. Marsh (Chairman), Hon. Sir Shouson Chow, Kt., LL.D., J.P., Hon. T. N. Chau, C.B.E., Hon. D. F. Landale, Messrs. W. A. Stewart, and E. R. Hill.

Manager: Mr. A. G. Langston, M.I.Mech.E.

Agents: Gibb, Livingston & Co., Ltd.

Authorised Capital: 5,000,000 shares of \$10 each \$50,000,000.

Issued: \$21,000,000. (Current market quotation: \$25).

Supply Statistics for the ½ year ended June 30, 1947:—Units Sold: 29,474,766; Lighting: 12,639,981; Power: 6,745,713; Large Industrial Users: 10,089,072; Total number of consumers: 36,997.

HONGKONG'S INDUSTRIAL LABOUR

The total number of workers in registered factories and workshops as at September 30, 1947 amounted to a grand total of 59,000.

The group of industries whose number of workers recorded decreases in the third quarter are shipbuilding and ship repairing by 2,511, chemicals, paints, and oils factories by 30, public utilities by 22, paper and printing by 226 and medicines by 16.

The Colony's largest employers by units are: shipbuilding and ship repairing industry 16,901 workers, or 28.6 percent of the local recorded labour force; clothing industry with 6,321 labourers; textile industry with 6,204; rubber ware industry with 3,452; public utilities with 2,820 workers. The public utilities include only the gas, tramways, telephone and two electric companies but not the two ferry and two bus companies.

Of the Hongkong recorded labour force totalling 59,067 workers, 65 percent or 38,368 labourers are males and 35 percent or 20,699 are females.

Following is the list of Hongkong industrial establishments—consisting of 3 Groups and 18 sub-groups—with the number of male and female workers for groups and sub-groups.

GROUP I

(a) Engineering:—

	Male	Female
Engineering	921	23
Electrical Engineering: Radio Sets (Repair- ing & Maintenance) .. .	7	7
Total	928	30

(b) Construction & Repair of Vehicles:—

Garage	38	—
Bicycles	95	20
Total	133	20

(c) Shipbuilding & Shiprepairing:—

Ship Builders	16,352	549
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(d) Other Metal Industries:—

Electric Apparatus, Cables etc.:	112	218
Electric Bulbs	230	70
Electro Plating	—	—
Stove, Crate, Pipe etc. & General Iron- founding:	377	25
Foundry	—	—
Other Metal Indus- tries:	1,872	1,698
Metal Wares	8	—
Silver Refinery	208	144
Tin Cans	—	—
Total	2,807	2,155

(e) Chemicals, Paints, Oil etc.:—

Oil, Glue, Soap, Ink etc. Camphor (Oil & Powder)	11	—
Peppermint Oil	3	—
Soap	26	42
Oil Installation	471	127
Plant, Varnish etc.: Paint	137	93
Chemicals:	47	15
Chemicals	—	—
Zinc Powder	4	—
Manganese	10	—
Dye Stuffs	20	6
Coke Ovens & By-Pro- duct Works:	—	—
Coal-eggs	81	—
Total	810	283

GROUP II (Basic Industries):—

Public Utilities	2,807	13
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GROUP III

(a) Food, Drink and Tobacco:—

Drink Industries: Aerated Water	228	72
Beverages	9	—
Distillery	90	56
Other Food Industries: Noodles	8	2
Bean Curd	79	7
Canned Goods	131	94
Peanut Oil	199	10
Cassia Sorting	82	131
Cassia Grinding	4	—
Gourmet Powder	103	35
Soy and Sauce	282	131
Sugar	24	—
Flour and Rice Mill	203	14
Bread, Biscuits, etc.: Biscuits & Confec- tionery	364	256
Ginger & Fruits (Preserved)	86	378
Meat (Dried)	30	—
Tobacco, Cigarettes etc.: Tobacco	361	903
Total	2,283	2,089

(b) Textile Industries:—

Textile Bleaching, Dye- ing etc.:	178	6
Dyeing	—	—
Cotton Spinning: Cotton Mill	80	152
Cotton	14	—
Thread	34	50
Tapes	8	10
Other Textiles: Cloth (Calendering)	85	—
Hamp, Rope, Cord etc.: Grass Mats	16	6
Hosiery: Hosiery	30	138
Lace: Shoe Laces	16	53
Cotton Weaving: Weaving (Cotton)	1,213	3,820
Silk, Rayon Nylon etc.: Weaving (Silk)	175	120
Total	1,849	4,355

(c) Leather, Leather Goods & Fur:

Leather Goods: Leather	25	10
Tanning, Currying etc.: Fur Processing	19	5
Tannery	139	—
Total	183	15

(d) Clothing Industries:—

Other Dress Indus- tries: Buttons	240	237
Knitting	1,546	3,040
Shirts, Collars, Under- clothing etc.: Garments & Shirts	217	357
Boots, Shoes etc.: Shoes	57	14
Hats and Caps: Hats	127	486
Total	2,187	4,134

(e) Woodworking etc.:—

Wood Boxes & Cases etc.: Camphor-wood Trunks	155	1
Other Woodworking: Cork	8	8
Furniture: Furnitures	64	—
Sawmilling: Saw Mills	263	—
Total	490	9

(f) Paper, Printing etc.:—

Printing, Publishing & Bk. Binding etc.: Printing	1,993	69
Cardboard Boxes, Paper Bags etc.: Paper Boxes	18	7
Stationery Requisites (Not Paper): Pencils	13	88
Printing Ink	5	—
Paper & Paper Board: Types	11	2
Newspaper	446	12
Paper (Dyeing)	88	27
Paper Cards	50	61
Total	2,624	266

(g) Brick, Tile, Pipe etc.:—

Brick Works	154	62
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(h) Glass & Glass Bottles:—

Glass Manufacture: Glass	416	75
Mirrors	58	12
Glass Bottles: Vacuum Flasks	94	36
Total	568	123

SHANGHAI'S INDUSTRIAL OUTLOOK

(By A CHINESE CORRESPONDENT)

Being a typical "gambling house" in the Far East, Shanghai's industrial outlook today is extremely dark. There have been hardly any foreign and Chinese industrialists contemplating long-range enterprises in the city as there is every likelihood that the prolonged civil warfare may soon affect much more China's leading commercial, financial and industrial centre.

With the exception of few well-established and Government-operated factories, most of Shanghai's large and small industrial establishments are today running on a semi-speculative basis. The major factors hampering the development of Shanghai's industries are the ever increasing instability, political insecurity, shortage of industrial raw materials, lack of sufficient power supply, labour unrest and the disruption of communications.

Investments in Hongkong

Afraid of facing the eventuality of being involved in the destructions of Kuomintang-Communist warfare and thus losing machinery, buildings and other investments, many Chinese industrialists have made preparations to remove their established factories to Hongkong and elsewhere. A number of cotton textile industrialists have already taken adequate measures to direct cotton yarn producing spindles and machines ordered from the United States and Britain to Hongkong instead of accepting the delivery in Shanghai.

Though the British Colony does not offer cheaper labour costs and there is much more labour protective legislation in Hongkong than in China, Hongkong does not face military depredations and there is better access to industrial raw materials. For these reasons, Chinese industrialists prefer to invest in Hongkong.

(i) Other Manufacturing Industries:—

Other Industries:		
Building Materials	2	—
Battery	141	287
Bakelite Wares	105	137
Carbon	10	11
Crackers	6	30
Torches	604	1,771
Fishing Net	10	50
Ice	58	6
Cold Storage	279	2
Ivory	12	—
Matches	230	728
Joss Sticks	21	200
Embroidery	2	28
Feather	116	330
Face Powder	24	8
Mosquito Sticks	18	28
Perfumery	57	145
Rattan	195	34
Twine	8	8
Enamel Wares	240	60
Rope Works	91	26
Brushes & Brooms:		
Tooth Brushes	98	25
Toys and Games:		
Toys	4	38
Cement, Whiting etc:		
Cement Works	365	17
Gypsum Powder	5	—
Rubber:		
Rubber Tyre Soles	42	—
Rubber Tyre	14	—
Rubber Ware	1,122	2,330
Total	3,879	6,299

(j) Non-Manufacturing Industries & Services:—

Laundry & Drivcleaning:		
Laundry	145	32
(k) Miscellaneous:—		
	70	21
(l) Medicines:—		
	99	244
Grand Total	38,368	20,699

Difficulties of Shanghai

The shortage of raw materials in Shanghai was brought about by import restrictions. Owing to the extreme shortage of foreign exchange the Chinese Government imposed through the Import Export Control Board unlimited restrictions on imports of even absolutely necessary industrial raw materials which forced many factories to cease operation. The government also refused importers to import materials to be financed by private funds.

With the majority of coal mines in North China and Manchuria occupied by the Communists, Shanghai has been unable to obtain sufficient coal supply to feed the city's power plants which reduced operations by factories by 30-40%.

The ever increasing cost of living brought periodical labour unrest; labourers are paid according to the living cost index issued monthly by the Shanghai City Government, but the labourers are dissatisfied with it since the index is falsely presented by the government and its increases are never in direct proportion with the actual rise in prices. Labourers started many disputes and strikes, thus further reducing working hours and affecting labour efficiency.

Mr. Tsai Tseng-yeh, Director of Shanghai's Research Bureau, responsible for compiling the monthly index, suggested to Mayor K. C. Wu to issue a true living index. Seeing the difficulties confronting the management, Mayor Wu rejected Mr. Tsai's proposal, whereupon the Research Bureau's Director tendered his resignation and left the service.

EXCHANGE & FINANCIAL MARKETS

US\$ TRANSACTIONS

Rumours were afloat about "devaluation" of sterling and the adverse position of the British balance of payment. Whatever the basis for such market reports, the consequence was heavy speculative buying of TT New York which brought up the rate to \$545 at one time. Buying was supported by native banks, also some European banks, especially one British bank, were in the market. Turnover reached during the week some US\$2 to 2½ million for TT New York and drafts were also heavily transacted. The increase in rates would have been much more drastic if not a large volume of drafts and notes arriving here from overseas Chinese sources would have counteracted the buying rush. Gold importers who made arrangements with local banks for the financing of some 30,000 ozs. of Mexican gold—other estimates speak of over 60,000 ozs.—also influenced the TT New York rate a la hausse.

The week's highest and lowest prices were resp. for notes HK\$530-505; for drafts \$530-503; for TT \$545-515. New York business in the free exchange market for transferable sterling accounts was reported around US\$2.92 to 2.95 against a local cross rate of US\$3.10 at the opening of the week and US\$3 at the close (lowest cross rate 2.94).

GOLD TRANSACTIONS

Easier supply at reduced costs in international markets (in terms of US\$ per oz. of gold) caused the local gold price to remain weak, recording for the last week \$330 as the highest and \$317½ as the lowest price. As US\$ rates appreciated the gold prices here declined. The gold cross rate slumped at one time (in terms of the local TT New York quotation), to US\$49½ per troy oz. and hovered during the week around US\$50 to 50½. The Shanghai

China remains an agricultural country with 80 percent of its population being farmers whose purchasing power steadily declines. The lack of communications between Shanghai and other towns in the country keeps Shanghai's products in the city instead getting them to the farmers.

The corruption and red-tape of officials of the Import Export Control Board are also greatly hampering the operation of industry in Shanghai.

(Ed. Note:—Many cases are quoted by our correspondent and clippings from vernacular reports are added but, in order to avoid recriminatory correspondence and to economise on our limited space, we dispense with citing examples).

gold cross rate at the end of last week was, however, higher than US\$52.

Canton quoted similar gold prices as Hongkong; at the opening of last week Canton's unofficial gold market sold one tael at HK\$329 while at the close the tone was improved and around \$333 were paid. Still, exports from here to Canton and Shanghai bring no profits as transportation charges and commissions have to be considered. In terms of CN\$ gold rates in China moved up but this appreciation was completely wiped out by other inflationary gains. Gold per oz. in Shanghai opened last week at CN\$4.6 million and closed around 5½ million; at the same time, however, commodity prices advanced on the whole and the official US\$ rate stood at the end of the week at CN\$94,000 with TT quoting between 96,000 to one lakh.

Local banks negotiated, and some already accepted, import contracts with gold brokers. One contract was concluded on the basis of HK\$365 per tael, cif Macao. There were reports in the market about substantial quantities of gold having been imported into Hongkong directly from Bangkok and some small lots were reported to have arrived here from the Netherlands Indies and the Union of South Africa. As gold imports are prohibited all bankers and brokers dealing in this line are very cautious not to let the public know too much beyond the fact that gold has come here and is on sale. These new arrivals have also affected the quotation. The continued tight money position resulted last week in the liquidation of several thousand taels as holders required cash for their regular business.

The total cash transactions at the gold exchange society amounted to 24,230 taels.

Tight money, while depressing gold and commodity prices, gave professional money lenders the best of opportunities; day loans are contracted at the rate of \$1.50 to 2 per \$1,000 which comes to about 4½ to 6% per month. On a monthly basis rates of interest, charged by money lenders which are often native bankers, are lower but usually not under 3% against some security and 4% on "face" only.

The large influx of Shanghai immigrants, many of whom describe themselves as refugees or expatriates, has been estimated by financial brokers at over 30,000 many of whom have no regular occupation and either speculate with their own money or use their relatives and friends' funds for various ventures. The influence exerted by many Shanghai "refugees" in the local gold and exchange markets (as well as in commodity and share speculation) is at times considerable and out of proportion to their actual resources. It is the peculiar system of "Chinese syndicates" which enhances the importance of such bear and bull operations.

CHINESE MONEY EXCHANGE

Another raise in foreign exchange "official open market rate" was registered on Nov. 4. This set the "cover rate" from the Central Bank to the appointed banks at 59,500 for US dollars and 187,000 for pounds sterling.

With a spread of \$800 either way from this, the banks' US\$ buying rate thus became 58,700 and the selling rate 60,300. For sterling, with a spread of 2,500, the buying rate became 184,500 and selling 189,500.

The unofficial exchange rate for US\$ advanced from 86,000 to 95,000 and shows signs of further improvement. The difference between the so-called open and the unofficial exchange rate remains as during recent weeks about 50%.

New York quotes this week officially one million Chinese dollars at US\$16.80 while the free market in New York quotes US\$10 to 10.50.

Hongkong maximum and minimum prices for CN\$ spot and forward notes were: 70½-63; 67½-56½ respectively (for one million CN\$). Canton remittances declined to \$60 and Shanghai remittances to 58½ (for one million CN\$).

Civil war expansion and administrative incompetence as well as widespread corruption are given as routine answers when inquiring for the reasons of the further decline in the value of CN\$. The impending issue of several thousands of billions of newly printed notes (denomination: 50,000 and 100,000) have caused higher commodity prices in Shanghai notwithstanding the energetic efforts by secret police and economic police organs to keep price rises within certain bounds.

The delay in the American aid to what is euphemistically called stabilisation of the chaotic financial position of China may cause further drastic drops in the exchange rate of China officially and unofficially. Military expenses are constantly mounting and are covered practically only by the issue of scrip without any backing except the hope of eventual American loans in gold and materials. As the Chinese Government is now about to go into receivership the expected American assistance will necessarily turn out to be full though politely concealed financial control of the bankrupt country.

AMERICAN HELP TO CHINA

On the basis of the Wedemeyer report to the U.S. State Department the Administration proposes now to spend U.S.\$300 million on its "help to China program" by allocating U.S.\$20 million per month for a 15 month period for U.S. supplies to the Chinese Government. Congress approval is still outstanding.

Apart from this aid program, American military assistance to Nanking is

being rendered by training and equipping a very large body of troops and by supplying ammunition.

Within the U.S. the opposition to the "aid to China program" continues strong but it is now realised that the political theories of "containing the Soviets" have won the field in Washington.

BANK NOTE MARKETS

The Indochina piastre rate was slightly firmer under the impression of some peace settlement to be reached soon between the French, the conservative and liberal Vietnamese and the revolutionary Viet-minh. Quotations in Saigon and Haiphong of HK\$ were much higher than here (12 to 12½) where on the average 100 piastres quoted HK\$10.75. Total cash sales on the unofficial market were unusually small; approx. 3.2 million piastres.

Pound notes were purchased by travellers, it is assumed, as other uses of pound and ten shilling notes (such as mailing them illicitly into the U.K.) should by now have been fully discouraged. The current rate of £ notes of HK\$12.50 compares with the current New York pound note rate of US\$2.60 to 2.68.

Siamese baht or ticals were weak at around \$22 (per 100 baht) and Nica guilders find few buyers even at the reduced level of \$29½.

SILVER BUSINESS

Active buying by silver exporters continues and keeps the price near record levels. The demand of US bullion brokers and European buyers in New York remains strong. Prices on Nov. 10 in New York per fine oz. 74½ cents, in London 45 pence spot, 44½ forward, Local market prices: \$3.90 to 3.95 per tael, 3.28 per oz., 2.50 per dollar coin, 1.92 per 20 cents coin. Reports from New York's silver market are encouraging; it appears that the appetite there will last for some time which should increase the unrecorded silver imports into the Colony.

CHINESE FLIGHT CAPITAL IN HONGKONG

Local financial circles estimate that at present flight capital from Shanghai and other Chinese cities kept in Hongkong in one form or the other aggregates HK\$200 million. Deposits of real or self-styled refugees with local banks (fixed deposits, current accounts, savings accounts) may total some \$70 million but this figure has been contested by some bankers who place the total much higher. The intricacies of Chinese methods to salt away fortunes defy any attempts at accurately "guesstimating" what has been invested by Chinese outside their own country.

A considerable proportion of Chinese flight capital now resting in Hongkong is of the "hottest" nature and ready to move to New York or any other place at a moment's notice. Furthermore

there are millions of H.K. dollars invested here in commercial cargo which eventually will leave the Colony and the proceeds may under improving conditions in China (i.e. if and when an American loan is granted) for a time remain inside China.

The investments made by Shanghai financiers in local manufacturing and commercial enterprises are yet small although the prospects are favourable that such investments are on the quick increase.

The indecision as to the future of their own careers and occupations and the typically speculative element in their doing business has diverted a large percentage of Shanghai's flight capital in Hongkong into purely speculative channels. The Shanghai psychology, which by now has become an inveterate characteristic, to make money by manipulation and speculation rather than producing is preventing serious and long-range investment and planning. The so-called refugees from the North will have first to acclimatise themselves and get used to the new environment before real contributions to the material well-being of the people of this Colony can be expected.

Meanwhile hot money arrives here in increasing amounts and does not, by and large, assist in the speedier rehabilitation and further development of Hongkong. Many apparent crises in the financial markets are exaggerated and aggravated by the plethora of idle funds here (such as H.K. and foreign currencies, funds held abroad, local and foreign shares and securities, gold and silver, commodities of speculative nature in China, etc.).

Strong upward or downward movements of unofficial exchange rates are sometimes either directly engineered or expanded and exploited by hot money in the local market. Further accumulation of hot refugee money is not conducive to a stable economy neither here nor anywhere.

CHINESE ASSETS IN AMERICA

Total resources in the U.S. owned by or at the disposal of the Chinese Govt. are estimated by United Nations Food & Agriculture Organisation at U.S.\$427 million as at Nov. 1, 1947. Of this amount (which includes those assets which the Chinese Govt. may be able to obtain from Chinese organisations and corporations in the U.S.) the amount of U.S.\$87 million is immediately available while the rest

of U.S.\$340 million (in gold, securities and short term investments) cannot be quickly liquidated.

The same U.N.F.A. Organisation estimated that the monthly deficit of China (arising from import surplus and invisible imports) totals U.S.\$34 million (not taking into consideration the flight of capital from China). China, according to a report by the Organisation, has only funds available for 3 months' import requirements but after liquidation of all assets imports into China may be financed for another 10 months.

Privately held assets in the U.S. have been estimated by various sources from U.S.\$ 300 to 1,000 million (in addition to the above estimates of U.S.\$ 340 million).

FOREIGN ASSETS IN THE U.S.

Latest official estimates in Washington of foreign assets held in U.S. are as follow:

Gold	US\$11,400 million
bank balances .. .	" 5,300 "
short term assets ..	" 1,400 "
long	" 8,200 "
	US\$26,300 "

Of the long term assets of 8,200 million only about 3,700 million are invested in marketable securities but are mostly privately held; the rest are direct investments which are very difficult to liquidate.

The Department of Commerce, Washington, however, estimates only gold and bank balances held by foreigners in the U.S. considerably higher, namely U.S.\$20,700 million and states that the geographic distribution of these foreign resources are as follow: (in millions of U.S.\$): 9,000 European countries; 4,200 Latin American countries; 4,000 International Institutions; 3,500 countries in Asia, Africa and Oceania.

GOLD PRODUCTION IN THE BRITISH COMMONWEALTH

Production of gold in countries of the British Empire and in the Dominions has been intensified. The importance of balancing its international payments has caused the British Government to exploit all available gold mines and to acquire gold on a loan basis. The Union of South Africa has recently concluded a loan

agreement according to which the U.K. obtains 9,275,000 ozs. of fine gold (valued at £80 million at the price of 172/6 per oz. ex Union port) at ½% interest for a period of 3 years. The monthly average output of the Transvaal mines has recently been near one million ozs. of fine gold but the most sensational event in recent South African gold history was the rich gold strike in Orange Free State which may eventually alter the whole picture of British trade with hard currency areas. Conservative estimates in South Africa and the U.K. state that as a consequence of this gold strike as from 1950 the sterling area will no longer be faced with large deficits in its trade with the U.S.

Australian gold mining has also resulted in rising production but no official figures are as yet available. However, in its effort to promote the gold production in the Commonwealth the gold tax has been suspended by government as from Sept. 20.

GOLD MOVEMENTS

Seldom have international gold movements assumed such a disparate pattern as in recent times. Up to the end of July the United States was actually exporting very small amounts of gold to the United Kingdom. The amount, however, did not total more than some \$1,500,000 for the first seven months of this year. Since then the movement has been reversed and though no details are as yet available the reports of substantial shipments of gold from Britain to the United States may be taken as well founded. South Africa continues to make regular monthly exports of gold to the United States, but it is Latin America which in recent months has provided the main source for the influx of gold into that country. In July no less than \$104 million was imported from Latin American republics, reversing the movements which were apparent in the years 1944-1946. Small amounts of gold continue to be exported from the United States to British India. More recently a new factor has appeared in the world of international bullion movements, namely the resumption of appreciable gold exports by Russia, most of which are canalised to the United States. The latest weekly figures, covering the period to September 24, show that 160,000 oz. of gold as well as 1½ million oz. of silver was imported into the United States from the U.S.S.R.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

		CN\$ (per one million)																	
		Sept.		Forward		S'hal Canton		Notes		US\$ (per 100)									
Nov.	High	Low	High	Low	High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$	Guilder	Baht	Note	High	Low	High	Note
3	330	324½	70½	69	87½	65½	65½	66½	505	503	516	10½	31	22	12½				
4	328½	325	70	69½	87½	67	64½	66½	507	505	515	10½	30	22	12½				
5	330	327½	68½	67	66½	65	62½	65½	511	510	520	10½	30½	22½	12½				
6	325½	317½	67	65½	64	64	62½	63½	515	519	530	10½	30	22½	12½				
7	326½	319½	63½	63	60½	59½	61½	63½	528	529	540	11	29½	22½	12½				
8	323½	321½	63½	63	56½	56½	58½	60	518	522	530	11	29½	22½	12½				

HONGKONG STOCK & SHARE MARKET.

The character of the market, on the whole, was unchanged during the week, Nov. 3 to Nov. 7. It continued downward, and gave no definite sign of altering its trend. Buyers continued in command causing a tapering of volume by the lowering of bid prices, which sellers, generally, showed unwillingness to follow.

The appreciable decline in volume is regarded in some quarters as signifying the approach of the end of the bear trend. Other factors in support of this theory are: (1) Increased yields at present level of prices, and (2) Favourable reports of net earnings of most companies for the current year.

The Felix Ellis price index of twelve representative, active local stocks showed a net loss of 1.35 points for the five trading days compared to the previous week's close. Day-by-day his averages were: Nov. 3, 150.53; No. 4, 149.94; No. 5, 149.80; Nov. 6, 149.60; Nov. 7, 149.45. The low for the year was 123.88, while the high was 155.82 reached on May 3.

BANKS: There were sales of H.K. BANKS at 2,005 and 1,980.

INSURANCES: Business took place in UNIONS at 760, 750 and 755, and in UNDERWRITERS at 7.

DOCKS, GODOWNS: WHARFS had sales at 225 and 222½. **DOCKS** had

The general trend of gold shipments continues unmistakably in the direction of the United States. The diversity of the currents along which this flow is moving is a token of the gradual breakdown of the normal mechanism of international exchange, of the fact that overdraft facilities under existing payments agreements have either been reached or exceeded, and that the world is slowly drifting back either to the bilateral balance of barter agreements or to payments in specie for the settlement of net differences on international accounts.

IMPORT OF SECURITIES INTO THE UNITED KINGDOM

As from Oct. 1, 1947 full control over the import of securities into the U.K. has been introduced. All coupons, matured securities, warrants etc. relating to capital or income payments which are to be sent to the U.K. from all countries both inside and outside the sterling area must be accompanied by a form of declaration which is to be signed by a bank or a broker. Such forms are available in London from where the supply is to be requested.

Securities other than mentioned above as well as securities which are transferable solely on registers in the £ area can only be imported if covered by an import licence. Applications for such import licences have to be undertaken by banks or brokers in London.

business at 37, 36½ and 37, while PROVIDENTS were traded in at 24, 23½, 23½, 23½ and 23.

HOTELS & BUILDINGS: H.K. LANDS were again neglected, but business was reported in **HOTELS** at 25, 24½, 24½ & 24½; **S' HAI LANDS** at 6.80, 6.60 & 6½, and **HUMPHREYS** at 30 & 31.

UTILITIES: The following business was reported in this section: **TRAMS** at 25, 24½, 24.85, 24¾; **CHINA LIGHTS** old at 21, 20½, 20½ & 20½; **ELECTRICS** x rights at 51½, 52, 51, 50½, 50½ & 50½; **ELECTRIC RIGHTS** at 39, 38½, 39, 38½, 38, & 37½; **STAR FERRIES** at 135½ and 133½; **TELEPHONES** old at 41½ and new at 36½; **PEAK TRAMS** at 18½ & 18½

INDUSTRIALS: Transactions occurred in, **CEMENTS** at 32, 31 & 33; **ROPES** at 22; **DAIRY FARM** at 90½ & 90; and **WATSONS** at 72 & 71½.

STORES: CHINA EMPORIUM had one sale at 12 but ended with buyers at 12½. Other business reported were: **SINCERES** at 8.80, **WING ON** at 142, and **KWONG SANG HONG** at 205 with buyers at 200. **SUN** had buyers at 5 without attracting sellers.

MISCELLANEOUS: CONSTRUCTIONS old were traded in at 6½.

CHINA LIGHT & POWER CO., LTD.

After having paid an interim dividend for the year 1947 of 35 cents for the \$5 fully paid up share ("old") and 14 cents for the \$2 paid up shares ("new") the Directors of the Company

HONG KONG STOCK EXCHANGE TRANSACTIONS

Name of Stock	Nov. 3-7 Rates for the Week		Total Sales (Shares)	Rates On Nov. 11
	Highest	Lowest		
H.K. Bank	2,005	1,950	35	2,000
Bank of East Asia	—	—	—	115
Union Insurance	760	750	134	770
Canton Insurance	375	375	10	38
H.K. Fire Insurance	—	—	—	300
China Underwriters	7	7	500	7
Wharves	225	222½	312	220
" (Rights)	61½	61	133	61½
Docks	37	36½	1,700	37
Shanghai Docks	—	—	—	14½
Providents	24	23	4,500	24½
Waterboats	—	—	—	48½
Hotels	25	24½	4,850	24½
H.K. Lands	—	—	—	83
Humphreys	31	30	1,066	31
Shanghai Lands	6.80	6½	4,000	6½
Trams	25½	24½	7,850	25
Peak Trams	18½	18½	200	18½
Star Ferries	135½	135½	100	134½
Yaumatei Ferries	—	—	—	24
Lights (Old)	21	20½	5,100	20
" (New)	—	—	—	16½
Electrics	52	50½	5,300	50
" (Rights)	39	37½	2,652	37
Telephones (Old)	41½	41½	400	42
" (New)	36½	36½	250	37
Cements (Old)	33	31	2,200	33
" (New)	—	—	—	31
Ropes	22	22	500	22½
Dairy Farm	90½	90	700	90
Watsons	72	71½	1,600	71½
Lane Crawford	—	—	—	54
Powells	—	—	—	14½
Vibro Piling	—	—	—	6½
Constructions	6½	6½	2,200	6½
Wing On	142	142	20	142
China Entertainment	—	—	—	37
Sun Co.	5½	5½	1,070	5
Ewo	—	—	—	1.10
Sinceress	8.80	8.80	200	8.80
China Emporium	12	12	300	12½

Total Sales for the week ended Nov. 7: \$1,780,957, a record low figure for many weeks past. Previous four weeks' sales totals were \$2,652,420; \$3,248,171; \$3,814,679; \$2,690,155.

Shares valued about \$12½ million were sold during October on the Stock

Exchange. Outside market and inter-principal trading turnover can only roughly be estimated at around \$3 to 4 million for October, part of which may have been negotiated through one or the other broker at the Stock Exchange.

COMMERCIAL MARKET REPORTS

CHINESE CUSTOMS PREVENTIVE SERVICE

A Chinese Maritime Customs Preventive Service does not actually exist as such. Customs Preventive work is carried out under the directions of those Commissioners in charge of ports or districts where there are Customs establishments, where smuggling is known to exist and where a preventive force is found to be necessary. There is a Preventive Secretary attached to the Inspectorate General of Customs, Shanghai, who directs and co-ordinates the preventive activities at the various ports and in each port there is usually a Preventive Commissioner or Deputy Commissioner who actually organises preventive work under the direction of the Commissioner.

Organisation of Preventive Service

Preventive work is usually divided into land and sea operations but the forces of both are co-ordinate in order to produce the maximum effect. The total number of preventive guards employed by the Customs throughout China is not known here but it is a considerable force. The number at each port may vary according to the trend of smuggling.

have decided to pay a final dividend of \$1 for the old and \$0.40 for the new shares less tax of 10% (according to the Inland Revenue Ordinance which takes effect as from this year). The current market price of "old" shares is around \$20 and the yield amounts therefore to over 6% which is, for local conditions, a very high return (current average yield 4%). The dividend of China Light is payable in December.

New Sharebroker

Mr. T. A. Pearce, having been elected a member of H.K. Stock Exchange, has taken over the sharebrokerage firm of G. A. Harriman & Sons. Mr. G. A. Harriman retired and resigned his vice-chairmanship of the Exchange as he will expand his realty business in which he has been successful since the beginning of 1946. The former realty business of Mr. Harriman will now be carried on an expanded basis through the firm of Harriman Realty Co., Ltd. in which Mr. G. E. Marden acquired an important interest. (Mr. Pearce is connected with J. D. Hutchison & Co., Ltd., in which firm Messrs. Wheelock-Marden Co., Ltd., have acquired an interest in 1946 who are also about to take over the assets and liabilities of H.K. Realty & Trust Co., Ltd.)

The force of Customs Guards on the frontier of the Kowloon Customs district are being increased to probably between 3 and 4 hundred men. They are generally armed with machine guns and rifles.

The preventive fleet is at the moment composed of eight large units and a number of launches. These vessels operate in the waters of the Canton Delta and at sea to the south and east outside the waters of the Colony and are disposed according to the reported trend of smuggling.

Cooperation with Customs Guards

There is a small force of Chinese Gendarmes also who are operating with Customs Guards on the frontier. The number is varying according to the needs of the time. The force of gendarmes is of course useful in dealing with smuggling by military personnel.

Customs Stations

There are, at the moment, the following naval stations at Taishan, Lafsami, islands in the Canton Delta, and Samun, an island on the east coast opposite Mirs Bay. On the land frontier the stations are: Namtao, Shehow, Pakshekwchow, Shatow, Shumchun Railway Station, Mankamtan on the Canton-Kowloon motor highway, Lofong, Lintong, Shatowkok, Yimtin and Namu.

Other stations will be established in the near future and there will also be posts at various places, movable according to the trend of smuggling. In addition, by the courtesy of the Hongkong Government, the Customs guards are allowed limited operations at the Kowloon Railway Station for the convenience of merchants and travellers by train.

Seizures

Results of preventive operations both on land and sea vary for many reasons. But the approximate total of seizures made during the September Quarter 1947 (i.e. July, August and September) was, several billions of Chinese dollars.

Hongkong's Cooperation

The Kowloon Chinese Maritime Customs operate along the Chinese side of the frontier and on the Chinese Section of the Canton-Kowloon Railway and to a depth necessitated by circumstances. With the co-operation of the Hongkong authorities the Chinese Customs are in a position to exercise the necessary control within the area of operation. Generally speaking local authorities have been helpful and co-operative as has been many times acknowledged by Chinese Government and Chinese Customs officials.

Plans for Improvement

There are many plans for improving the Service equipment and inter-ship and station communication, but no definite arrangements have yet been made.

The question of an intelligence service of the Customs has been under consideration for some time and there is much to be said for its introduction. On the other hand there is the other alternative of obtaining information through informers. With the promise of 30% of the total net proceeds from the sale of seizures as informants' fees and maintaining the strictest secrecy concerning the identity of the informers good results have been obtained and can be expected also in future.

HONGKONG GENERAL CHAMBER OF COMMERCE

The present composition of the Chamber's *General Committee* is as follows:—

Hon. R. D. Gillespie (Chairman) (Imperial Chemical Industries, China, Ltd.); Mr. P. S. Cassidy (Vice-Chairman), (John D. Hutchison & Co., Ltd.).

Hon. A. Morse, C.B.E., (Hongkong & Shanghai Banking Corporation); Hon. D. F. Landale, (Jardine, Matheson & Co., Ltd.); Mr. C. Blaker, M.C., (Gilman & Co., Ltd.); Mr. A. W. Hughes (Union Insurance Society of Canton, Ltd.); Mr. E. R. Hill (Doddwell & Co., Ltd.); Mr. N. O. C. Marsh, (Mackinnon Mackenzie & Co.); Mr. C. C. Roberts, (Butterfield & Swire); Mr. W. A. Stewart, (Davie, Boag & Co., Ltd.); Mr. John Robinson, (Reiss Bradley & Co., Ltd.); Mr. I. W. Shewan, (Shewan, Tomes & Co., Ltd.).

The *Secretary* of the Chamber is Mr. J. B. Kite and the *Assistant Secretary* is Mr. H. Sullivan.

The members of the six Sub-Committees of the General Chamber of Commerce are as follows:—

Import Sub-Committee:

Mr. E. R. Hill (Chairman), (Doddwell & Co., Ltd.); Mr. H. D. Bidwell, (Gibb, Livingston & Co., Ltd.); Mr. C. Blaker, M.C., (Gilman & Co., Ltd.); Mr. A. R. Brown, (Davie, Boag & Co., Ltd.); Mr. P. S. Cassidy, (John D. Hutchison & Co., Ltd.); Mr. P. Morrison, (Jardine, Matheson & Co., Ltd.); Mr. I. W. Shewan, (Shewan, Tomes & Co., Ltd.).

Shipping Sub-Committee

Mr. A. A. Penn (Chairman), (Bank Line (China), Ltd.); Mr. J. D. Alexander (Mackinnon Mackenzie & Co.); Mr. J. A. Blackwood, (Butterfield & Swire); Mr. T. B. Wilson, (American President Lines); Mr. R. Johannessen, (Wallem & Co.); Mr. A. Reid, (Jardine, Matheson & Co., Ltd.); Mr. A. Offenbergh, (Java-China-Japan Lijn, N.V.).

Export Sub-Committee

Mr. F. E. A. Remedios (Chairman), (Union Trading Co., Ltd.); Mr. R. D. Heath, (Dodwell & Co., Ltd.); Mr. J. G. Haigh, (Gibb, Livingston & Co., Ltd.); Mr. H. Owen Hughes (Harry Wicking & Co., Ltd.); Mr. W. T. Knox, (Jardine, Matheson & Co., Ltd.); Mr. A. O. Sales, (Arnold Trading Co., Ltd.); Mr. M. A. Annett, (M. A. Annett Ltd.).

Labour Sub-Committee

Mr. L. Kadoorie (Chairman), (Sir Elly Kadoorie & Sons); Mr. R. G. Craig, (H.K. & Whampoa Dock Co., Ltd.); Mr. A. J. W. Evans, (British-American Tobacco Co. (China), Ltd.); Mr. R. E. Farrell, (H.K. Telephone Co., Ltd.); Mr. J. Finnie, (Taikoo Dockyard & Engineering Co., Ltd.); Mr. F. F. Duckworth, (H.K. Electric Co., Ltd.); Mr. H. E. Stone, (H.K. & China Gas Co., Ltd.); Mr. C. E. Terry, (H.K. & Kowloon Wharf & Godown Co., Ltd.); Mr. W. F. Simmons, (H.K. Tramways Ltd.).

Legal Sub-Committee

Mr. J. R. Jones, (Hongkong & Shanghai Banking Corporation); Mr. M. H. Turner, (Deacons); Mr. D. H. Blake, (Wilkinson & Grist); Mr. B. D. Evans, (Johnson, Stokes & Master).

Wages Sub-Committee

Mr. M. S. Cumming (Chairman), (Butterfield & Swire); Mr. R. Gordan, (Jardine, Matheson & Co., Ltd.); Mr. F. C. Clemon, (China Light & Power Co., Ltd.); Mr. J. K. P. Hadland, (Asiatic Petroleum Co. (S.C.), Ltd.); Mr. K. R. Quick, (Imperial Chemical Industries (China), Ltd.); Mr. John Revie, (H.K. & Whampoa Dock Co., Ltd.); Mr. R. C. Olive, (H.K. & Shanghai Banking Corporation).

HONGKONG PROHIBITED EXPORTS

The exportation of toilet and medicinal soap from Hongkong is prohibited as from Nov. 5 (Additional to Prohibited Exports Order, 1946).

SOVIET TRADE OFFICE

The Hongkong branch of the U.S.S.R. All Union Association "Exportheb" has removed its office from Hongkong Hotel to 3, Humphrey's Avenue, Kowloon. The representative of the local office of Exportheb is Mr. P. T. Sizoff, who has been before the war in Hongkong, managed the Shanghai office of Exportheb, and resides now in the Colony since over a year.

TRADE BETWEEN HONGKONG AND KWANGTUNG**CHINESE EXCHANGE CERTIFICATES**

All exports leaving China have since beginning of October to be covered by Certificate for Purchase of Foreign Exchange issued by a bank appointed by the Chinese Govt. for handling foreign exchange business. Previously exceptions were made in case of such exports which originated from places where no appointed bank's branch is in existence; exporters were allowed then to pass Chinese Customs stations on the execution of a Guarantee to sell eventually all foreign exchange to be derived from their exported goods to Central Bank of China or an appointed bank.

Many if not most of the exporters who signed such form of Guarantee failed, however, to live up to their pledge and very little foreign exchange thus was earned by Central Bank from exports made under these conditions.

Many cases were reported about forgeries of Certificates for Purchase of Foreign Exchange, an indispensable paper which enables the exporter to get his cargo out of China if he is not to smuggle and thus risk penalties. Such forgeries are practised all over China especially in Shanghai where real experts are on the job. Customs recorded export values are not always tallying with exchange earnings of Central Bank which may be partly due to exports passing Customs stations on production of a forged Certificate.

KWANGTUNG EXPORT PROHIBITIONS

All edible oils (such as peanut, tea seed, rapeseed, sesame seed) as well as firewood and charcoal are prohibited from exportation from Kwangtung. However, exporters who can prove that their cargo of edible oils, firewood and charcoal originate from places other than Kwangtung (such as Kwangsi, Szechuan, Yunnan, Hunan) are allowed to pass Chinese Customs stations.

The export embargo on edible oils exists, however, in many provinces of China which also includes some beans and seeds.

BARTER TRADE BETWEEN HONGKONG AND KWANGTUNG

Prior to September 22 exporters in Kwangtung were allowed to import goods in barter for their produce, and no limitation was placed on this sort of trade. Most exporters, after obtaining from the Chinese Customs stations a certificate entitling them to import goods for a certain specified value (corresponding to their exports), sold these certificates in Hongkong where brokers and also some commercial firms paid good premium. The higher

the "denomination" of the Chinese exporter's certificate the higher was the premium. During the earlier part of September, due to the severity of Chinese import restrictions, the premium on such certificates moved between 40 to 60%.

As from Sept. 22 Chinese exporters are only able to obtain individual exchange certificates up to \$500. The previous procedure was abused by Chinese exporters as it was the intention of the Export-Import Board to help only in the petty trade across the British-Chinese borders, and not to circumvent import restrictions of China. The \$500 exchange certificates are now good only for the importation into China of certain specified goods and cannot be collected as before so that bulk imports are no longer entering Kwangtung covered by a thick bundle of Chinese export exchange certificates.

Following is the list of specified goods which may be imported against production of a \$500 certificate:—Iron ware, steel and iron, copper plates, nails, wire netting; building materials, timber, cement; fertilisers; motorcar parts, bicycles, sewing machines; petrol; glassware; Western and Chinese medicines, codliver oil, gauze and bandages; gunny bags; glue; woollen clothing, blankets, cotton thread, knitting needles; sugar, salted fish, wheat flour, corn flour, coconut oil, pepper, malted and other milk products; books and old newspapers.

The barter trade certificates are still selling at a premium but not more than 20% have been paid by local exporters or brokers.

IMPORTS INTO SOUTH CHINA UNDER EXCHANGE QUOTA

The Export-Import Board, South China branch, Canton, allocated for the 3 months of August to October a total of US\$1,430,466 to registered importers in the 8 districts under its jurisdiction. This allocation comprises all imports except machinery and capital equipment for factories.

The previous 3-month allocation for registered importers was even US\$334,535 less. Importers in Canton obtained together out of the total only US\$533,566 as allocation for Aug./Oct. Other cities and districts were granted the following allocations for the same period: Swatow US\$308,525; Kongmoon 15,426; Wuchow 84,618; Tsamkong (Kwangchow-wan) 4,680; Hoikow (Hainan Island) 38,669; etc.

These exchange allocations are considered in Canton as unrealistic and unfair; South China is exporting to Hongkong and the world large quantities of produce and keeps with Hongkong always a favourable trade balance. Nanking, however, does not allocate exchange according to the individual merits and needs of provinces but according to so-called national re-

quirements which are largely identical with military expenditures.

The allocation of US\$477,000 per month to South China (Kwangtung and part of Kwangsi) is inadequate and out of proportion to the requirements of the people living in this area, furthermore it represents too small a percentage of the total allocation for China. Business men, manufacturers and the general public in Canton have repeatedly requested an adjustment and expect Nanking to consider the feelings of the people when allocating the next quota (for Nov. to Jan. 1948).

IMPORTS INTO CANTON

Canton acts in many ways as an entrepot centre for South and West China trade. Kwangsi, Kweichow, Szechuan and Yunnan are largely supplied via Canton and Hunan and Kiangsi receive also considerable imports through the metropolis of South China.

The import restrictions of China have, however, greatly hampered the flow of trade. There are five ways and methods open to traders to get foreign goods into Canton and from there transport it to the neighbouring provinces and even as far as Shanghai:—

- 1) Imports under exchange allocation from Export-Import Board, 2) Barter trade on the basis of \$500 exchange certificates, 3) Special Nanking import permits (granted to firms directly by Export-Import Board Headquarters or Central Govt. authorities), 4) Procurement of import licences against payment of "fees", 5) Smuggling.

During recent weeks the most popular and important means to get foreign goods into Canton was by paying to the proper organisations special fees against which import licences were produced covering most consumer goods while, however, luxury articles were rarely granted admission. The fees paid amount, usually to 50% of the import value of the goods but excluding the Customs duties (which are on the average 20% ad valorem); the importer in Canton has accordingly to pay about 70% in "fees" and Customs duties.

This procedure is of course not strictly legal but it is a clever move to reduce smuggling and at the same time increase both the revenue of the Customs and the treasuries of important groups in South China. In fact, import smuggling has decreased considerably during recent weeks following the more general adoption of the method to import against payment of special fees.

The possibility of the entire freeing of imports for Kwangtung but the levying of special import taxes amounting to 100 to 150% on top of the regular duties is being discussed in Canton and the initiative for this plan is credited to the present Governor of Kwangtung, Dr. T. V. Soong.

FORGERY OF PERMITS

Import permits have been forged in Shanghai by one or more groups but in view of the simplicity of forging such permits and Chinese chops no apprehensions were yet reported. Other documents required by traders in China have also been forged. It is possible that brokers dealing in Chinese import permits here and elsewhere against payment of a considerable premium (cf. our issue of Oct. 1, P.437) are sometimes, with or without knowledge of the facts, offering forged documents. The heavy quantitative increase in imports into Shanghai during the last 3 months may have something to do with

DISPOSAL OF UNLICENSED IMPORTS IN CHINA

Unlicensed imports paid by importers or manufacturers in China (mostly in Shanghai) with self-provided foreign exchange and shipped from abroad not later than Sept. 30, will be treated by the Chinese Govt. as follows:—

- (1) Imported goods which are on the Prohibited List are refused entry and have to be shipped away.

- (2) Imported goods not on the Prohibited List* will be purchased by the Govt. with "Three-year Special Foreign Exchange Scrip" to be issued by Central Bank of China. One sixth of such scrip shall become due at the end of each six months. Matured scrip may be presented by the importers to Central Bank for foreign exchange required to pay for licensed imports. Matured scrip may, with the approval of the Export-Import Board, be transferred to Registered Importers, or it may be presented to Central Bank for conversion into national currency at the open market rate.

- (3) The goods are valued as follows: (a) The C.I.F. cost of the goods to be paid in special scrip. (b) Landing and storage charges incurred after the arrival of the goods to be paid in C.N.\$.. (c) In addition, ten percent of the C.I.F. cost of the goods to be paid in C.N.\$ figured at the open market rate of foreign exchange.

- (4) The goods shall be disposed of in accordance with the following principles and in an order of priority: (a) Raw materials such as cotton and wool, etc. are to be disposed of by arrangements with the industries concerned. (b) Disposal of other goods is to be arranged by the Central Trust of China by appointing business organizations to handle the sales under its supervision. Priority may be given to the original importer. (c) If, however, disposal as per (a) and (b) is not deemed feasible, the Central Trust of China may dispose of the goods by sale or public auction. (d) The goods, in principle, shall be sold to direct users. The sales prices are to be determined by market prices. In the case of raw materials for industries, however, the sales prices to the factories may be based on the C.I.F. cost plus a specified percentage, the goods to be regarded as part of the quotas to which such factories may be entitled.

Those importers who will not sell to Govt. are required to re-ship their goods abroad within two months; all such goods will have to leave Shanghai and other ports not later than December 20, 1947.

* (with the exception of machinery which manufacturers financed directly and are allowed to import now.)

The Export-Import Board, in charge of all measures in connection with the disposal of unlicensed imports, notified the public that from now on any imports arriving in China without licence will be treated as contraband and subject to confiscation.

The total value of all unlicensed imports, stored in Chinese Customs warehouses pending the disposal by either Govt. purchase or re-shipment, has been estimated at around U.S.\$100 million. Govt. is willing to purchase goods to a value of U.S.\$40 million which amount also includes the machinery ordered and paid for by manufacturers.

Approx. U.S.\$60 million worth of goods will probably be re-shipped as importers are not willing to accept the purchasing terms of the Chinese Govt. Importers have sustained considerable losses so far which resulted from long storage time, additional insurance charges, additional pilferage, interest on bank loans and the drop in most wholesale market prices. By re-shipping the blocked goods the importers may be able to realise the value of their merchandise in foreign exchange and writing off a loss which may on the average amount to about 20 to 25% of the original cost.

The Export-Import Board stipulated that re-shipped goods cannot be consigned to Hongkong or Indochina as the opportunity to smuggle such goods then into China is obvious. However, this stipulation while amounting to a further nuisance and increased cost of ocean transportation, cannot be enforced by the Chinese authorities without the co-operation of the Hongkong and Indochinese Govts. Much cargo will be shipped back to the U.S. where it can be sold, in several instances, at the same or even higher prices than purchased earlier this year (due to the somewhat higher level of prices of many goods in the U.S. following the suspension of U.S. price controls).

Importers have to blame only themselves for the losses now to be written off; there even was the danger that all unlicensed imports would be confiscated and importers fined when such measures were, by the National Economic Council of China (supposedly the policy-making supreme organisation of its kind in China), resolved on Oct. 13.

The Executive Yuan, probably motivated by the desire not to arouse acrimonious attacks by foreign merchants and Chinese importers with all its additional unpleasant consequences, decided to take a middle course. The idea of the "Special Foreign Exchange Scrip" would not have met with so much indignation on the part of the afflicted importers, and the majority of importers may have decided to sell their unlicensed goods to Govt., were it not for lack of confidence in the Chinese Govt. The official open exchange rate is already discredited after

only 2½ months operation (or shall one say: manipulation) and promises made by Nanking in the past have not always been kept. The individual importer is reluctant to grant the Chinese Govt. a credit for 3 years and therefore the Govt. proposal has been generally rejected.

CHINA & TAIWAN TEA EXPORTS

The acquisition of Taiwan has improved the general position of China as regards exportable produce and foreign exchange receipts. Taiwan tea contributes considerably to the foreign exchange resources of the Chinese Govt.; in the face of the decline of the quality and reliability of China tea as well as considerable decrease in the tea output in the traditional tea growing areas on the mainland, and the inability of Chinese tea exporters to maintain uniform qualities, the tea from Taiwan has remained reliable and is being produced in quantities not much inferior to the pre-war period.

Total tea exports from China during the first half year of 1947 valued CN\$44.8 billion or an equivalent of about US\$4.4 million thus amounting to about 4% of China's total exports. The share of Taiwan tea was over 30% and it appears that in future Chinese tea exports will originate to over 40% from Taiwan. Current tea exports from China run at about US\$700,000 per month, the contribution of Taiwan being now US\$220,000 per month.

Principal tea exports for Jan./June 1947 were:—Black congou tea 465 tons, other black tea 2,679 tons, green gunpowder tea 384 tons, other green tea 4,022 tons. (One ton equals 16.8 piculs).

The largest buyer of China tea continues to be French North Africa which absorbs about 45% of total exports; Hongkong buys about 17%, the U.S. 14%, the U.K. some 6%, and France, Egypt and Iran each approx. 3½%.

Monopolistic Policy by Chinese Govt.

Foreign tea firms in the Far East and most individual Chinese tea merchants and firms are being systematically frozen out of Taiwan by high priced tea purchases made by the Taiwan Government and the Chinese Government's Central Trust. Of the total spring and summer crop of 68,000 piculs, Central Trust already bought 10,200 piculs and Taiwanese Government 20,000 piculs. As these Government concerns already paid and continue to pay some 50% higher prices than the world market tea growers in Taiwan will not sell to foreign tea firms any of the 35,000 piculs that remain. The Taiwanese Government may furthermore purchase most of the remaining stocks at high prices for a fertilizer barter so that foreign tea merchants are unable to buy any tea.

The Taiwanese Government has negotiated a tea-rubber barter with French Indo-China. Of the 7,000 chests of tea involved, 2,500 chests of green tea and 1,000 chests of black tea were already exported from Taipei to Saigon. This tea values for barter purposes HK\$250 per picul, some HK\$70 above world market prices.

It has been evident of late to private Chinese tea merchants and foreign tea firms in China that the Central Trust may put them out of business. Central Trust has bought large quantities of China and Taiwan tea for export but as they cannot get firm orders, they are making arrangements to consign probably without drawing or selling the foreign exchange involved. Central Trust is shipping 3,500 cases of black tea on consignment to New York via Shanghai from Taiwan.

Central Trust is probably exempt from financial regulations under which foreign firms operate, namely that all foreign exchange export proceeds must be surrendered to Government-appointed banks at the official exchange rates before export shipments may leave the country.

Thus Chinese merchants and foreign exporters feel that it is the policy of Nanking to put all exporters out of business and intends to monopolise the trade.

CHINA MINERAL PRODUCTS TAX

According to the Regulations governing the Mineral Products Tax in China (promulgated Feb. 5, 1947), the tax is charged ad valorem for:—1) Iron, Charcoal, Coal gas and Petroleum: 3%. 2) Gypsum, Seattite, Aluminate, Kaolinite, Fire clay, natural Soda, Copper and tin: 5%. 3) other mineral products: 10%.

The price as basis for taxation is calculated according to the current wholesale market price at or near the place of production. Miners and mineral dealers are expected to pay taxes to Central or Provincial Govt appointed collectors. Since a number of minerals are controlled as a Govt monopoly under the administration of National Resources Commission (notably wolfram and antimony) for which prices are officially fixed, notwithstanding considerably higher prices prevailing on wholesale markets "at or near the place of production" taxes in many instances have been paid on the basis of the much higher unofficial prices for controlled minerals.

The Govt at Nanking has also ruled that all producers, miners and refiners of minerals products have to register and to obtain licences to exploit mines from a department of the Ministry of Economic Affairs. These requirements are only very perfunctorily observed, however.

EXPLOITATION OF WOLFRAM MINES

The wolfram mines in Nan Peng Island off the coastal town of Yang-kiang about 200 miles southwest of Canton are being exploited by the National Resources Commission. The mines were discovered before the outbreak of the war in 1941 and were exploited by the Japanese during the occupation. As the quantity removed was small, the supply on the island may last about 20 years. The output is estimated by Chinese sources about five to six tons a month but if machinery were used the production could be stepped up to 20 tons a month.

Being a government monopoly wolfram has to be sold by miners to the Commission at the fixed price of CN\$12 million (equalling HK\$800) a metric ton, but in Hongkong the price is currently about HK\$375 per picul or \$6,300 per ton. As a result there is much smuggling through various outlets on the Kwangtung coast to Hongkong and Macao.

The total output of wolfram from China, largely from Kiangsi and Kwangtung, is estimated to be about 200 tons a month, but this figure is not accurate.

Many smugglers have succeeded in secretly shipping away wolfram from Nan Peng Island to Hongkong and Macao.

Uranium Mines

The National Resources Commission is exploring uranium mines in Chung Shan, Pu Cheun and Ho Hsien, counties in eastern Kwangsi province about 80 miles north of Wuchow. Officials investigate the prospects in eastern Kwangsi but the quantity is said to be small. Other uranium mines are said to be near Antung in Manchuria off the southern border of Korea. That area is under Communist control.

HONGKONG PRICE CONTROL MEASURES

The success of the S.T. & I. Dept. sponsored tailoring of winter suits of European style (see our issue Oct. 22, p. 503) has now led to the expansion of the scheme. S.T. & I., supplying imported material of very good quality, arranged with Chinese tailors that Chinese style clothing (for ladies and gentlemen, gowns and suits) will be made available to the population at fixed prices, viz. \$55 per gown or suit.

Various Govt. departments and large companies have made arrangements to supply their staff with Govt. price controlled suits and office uniforms.

The efforts made by Dept. S.T. & I. have caused a general reduction in prices for suitings and tailoring and thus an important item in the cost of

living has been effectively brought down to the lowest level since the end of war. Travellers arriving here state that prices for clothes here are lower than elsewhere in the Far East. The abundance of textiles of any description in the local market and the ample supply coming in assure of further price reductions.

HONGKONG EXPORTS TO CHINA

As from Nov. 15 all ships arriving in Chinese ports from Hongkong have, in accordance with Chinese Maritime Customs order, to submit to the respective Customs station either a copy of the manifest specifying the cargo loaded in Hongkong for China, or a nil return in case of no cargo having been loaded in Hongkong. These ships' manifests have to be certified or chopped by the Hongkong Harbour Department.

The procedure for ship owners or their agents in Hongkong is as follows: At the time of clearance the manifest of cargo loaded (or the nil return in case of no cargo being loaded here) is to be handed in to the Harbour Department in duplicate; the first copy, if clearance is granted, will be chopped by the Harbour Dept. and returned to the shipping firm or its agent, while the second copy is sent by the Harbour Dept. to the Dept. of Imports & Exports as it is a requirement (under the Registration of Imports & Exports Ordinance, 1922) to deposit a copy of every manifest. The shipping firms are not inconvenienced here as they will only have to call on Harbour Dept. (and not at I. & E. Dept.) and will be enabled to load cargo up to the time of clearance.

The Chinese Customs have observed in the past that much cargo which was manifested in Hongkong as shipped to China did not arrive as it was either wholly or partly offloaded en route to a Chinese port. This practice was adopted in order to avoid payment of import duties and to get such goods into China which had not obtained a Chinese import licence.

The Chinese Customs have made inter alia the following announcement as regards the manifests to be chopped by Hongkong Harbour Dept. as from Nov. 15: "Any cargo not on such a manifest, or any cargo on a manifest not duly certified in the aforementioned manner, will be treated as unmanifested cargo and will be liable to the penalties governing smuggled cargo." The announcement does not make it clear what is to happen to goods arriving in China which are duly manifested, however, the quantity specified and certified by Hongkong Harbour Dept. proves to be far less than described on the manifest.

Hongkong Govt. has co-operated with the Chinese Govt. (Maritime Customs) in order to assist in the smooth flow of trade. Without the local Harbour Dept.'s chopping of ships' manifests the Chinese Customs could have well stopped all imports into China and thus paralysed trade. One may say that Hongkong Govt. has gone out of its way to facilitate Hongkong's exports to China.

In the past all local shipping companies were anxious to prevent the malpractice of unmanifested cargo assuming larger proportions; to stamp out this form of smuggling, which simultaneously deprived the ship owners of their revenue by carrying cargo which was stealthily loaded or falsely declared as personal belongings, has not been possible. The small-scale carrying of (pidgin) cargo for which no freight is being paid, mostly by passengers and also by crew members, has not caused so much headache as the organised method of loading cargo, with or without the connivance and profit-sharing by some crew members, in the holds, boiler rooms, cabins, etc.

As much as ship owners, in their own interest, desire to reduce these occurrences, the generally low level of morality and the widespread corruption among Chinese officials who aid and abet in the development of smuggling have militated against a full success of the companies.

From the Chinese Govt. point of view, the import smuggling by way of carrying unmanifested goods from Hongkong (or elsewhere) into China has been insignificant in comparison with the many other means and ways of shipping large volumes of foreign goods into China.

PRODUCE MARKETS

Some wolfram from Kwangtung came here and larger arrivals are expected in spite of the tightening of the control measures instituted by National Resources Commission. 65% ore sold last week around \$375 per picul. New York quotations remained unchanged for powdered tungsten of 98.99% at US\$3.05 per lb. and for Kwangtung wolfram ore US\$0.29 to 0.31 per short ton unit, including duty paid.

No business was done in antimony and no arrivals were reported. Tin from Yunnan is in strong demand, some business having been done at \$405 per picul. The New York price for 99.8% tin remains at US\$0.80 per lb.

Tung oil exports were heavier than before and imports from China steady but demand by overseas buyers is lively. The native market price moved around \$165 to 167 per picul. New York business was reported around 25 to 25½ US cents; the nominal rate at the New York produce market, where tung oil is not officially quoted, stands at 26½ US cents.

Other vegetable oil prices last week were: rapeseed 162-168; teaseed 156-160; peanut 180; coconut 119-122; sesame 270. Cassia oil sold around 970 (prices in HK\$ per picul).

Rubber prices went up and remain steady; Singapore last week quoted Str.\$0.39½ per lb., and the New York rubber futures market quoted Nov. shipment at 24½ US cents, Dec. 22.80, January 22.40.

Pepper prices remain unaltered with US buyers quoting 54 US cents per lb. for spot Lampung and Malabar, stocks afloat 46 cents, white Muntok 58 cents.

JAPANESE TRADE ON STERLING BASIS

The U.K. Liaison Mission in Japan concluded last week an agreement with SCAP regarding the re-introduction of sterling as a trading currency of equal standing with the US dollar. The agreement is to last for 6 months. According to the agreement all traders resident in the British Commonwealth and Empire may make purchases of Japanese goods against payment in English sterling or sterling area currencies. Sterling accruing from Japan exports will be held for the credit of the Japanese Govt who will dispose of them by making purchases in the sterling area or converting the balance into US dollars at the official cross rate.

Until now all trade with Japan was conducted on a US\$ basis which method reduced trading and was considered unfair to non-American traders. The future expansion of Japan's foreign trade, SCAP's principal endeavour at the moment which is strongly furthered by the US Administration, is currently under deliberation by British and US experts who negotiate since several months in Washington. Eventually Japan, if she is to recover with the tempo desired in Washington and if there is to be no discrimination against non-US traders, will have to trade with the world in all currencies, not only US\$ and £.

The new arrangement will turn out to the benefit of Japan's export trade and will also greatly facilitate and speed up Japanese purchases of raw materials and foodstuffs abroad. Trade with Australia is now possible: during recent weeks Australian buyers were reluctant to pay for Japanese goods in US\$ and thus no contracts were entered into. The new arrangement will thus prove of much mutual advantage.

Netherlands traders will undoubtedly soon request and obtain the same rights and other European countries interested in re-establishing their trade with Japan, especially France, Belgium, Sweden, Italy, Switzerland, are expected to join in the demands on SCAP for permitting the Japanese Govt. to open accounts in all currencies.

PRIVATE TRADING WITH KOREA

Limited private trade with Korea was permitted from July 15, 1947. Entry of traders into South Korea in limited numbers was permitted from that date. Traders will be furnished with food and living accommodation and transportation facilities within South Korea by the United States Army Military Government in Korea (USAMGIK) at commercial rates, payable in United States dollars. The probable cost will be approximately 5 dollars a day. Facilities will be provided only in the capital city of Seoul and in the port city of Fusan. Special arrangements for trips to other cities in South Korea may be made if trade possibilities exist.

At the outset applications to visit South Korea will be considered only for the following purposes:

- (a) to purchase goods available for export or to make arrangements for future purchases of potential exports or to sell raw materials which Korea requires,
- (b) to provide commercial services, such as insurance and shipping, to facilitate the movement of exports and imports between Korea and other countries.

Businessmen wishing to visit Korea for the purposes shown under (a) and (b) should submit a request in writing to Dept. S. T. & I., giving the following details:—

- (1) Full name. (2) Firm represented. (3) Date and place of birth. (4) Citizenship. (5) Type of work on which at present engaged, and previous experience in handling commodities for export or import. (6) Object of the visit to Korea: List of commodities for export to Korea, types of commodities interested in importing from Korea. (7) Expected length of stay. (8) Desired date of entry. (9) Point of origin and final destination. (10) Route and means of travel; particulars of passport. (11) Financial responsibility.

The numbers of businessmen who will be permitted to enter Korea are likely to be very limited at the moment by shortage of accommodation. The length of stay will normally be limited to thirty days.

All imports and exports of South Korea will be controlled through the issuance by USAMGIK of import and export licences. The negotiation of price and consummation of transactions will be between the buyer and seller, subject to confirmation by USAMGIK.

For the time being, no commercial exchange rate will be established. Foreign exchange receipts of Korean exports will be held in special accounts by USAMGIK and will be available to Korean importers for the procurement of essential imports. USAMGIK will permit the exporter 180 days to use his earned foreign exchange for imports; if

he does not do so, he will receive payment in Korean currency for his exports and the foreign exchange will be made available to other importers. The arrangement also includes provisions whereby an exporter may transfer his interest in earned foreign exchange to others under USAMGIK regulations.

Stocks and production from plants under direct USAMGIK control will continue to be sold through a government agency.

A list of commodities whose import into or export from Korea is encouraged and a list of commodities whose import into or export from Korea is not at present permitted was published in our issue of Oct. 15, p. 480.

Trade between the United Kingdom and South Korea will be carried on only in United States dollars. This means that South Korea must be treated as a hard currency area and imports will be governed by the same criteria of essentiality as apply to imports from hard currency areas generally. South Korea can be considered as a favourable destination for exports.

Owing to the comparatively recent re-opening of South Korea to foreign trade the British Consul-General in Seoul is not likely to be in a position to advise United Kingdom firms on the suitability of Korean firms as contacts. Lists of Korean importers and exporters can, however, be obtained from the S. Korean Provisional Government Department of Commerce, Seoul.

IMPORTS INTO JAPAN

The following is a revised list of goods which Japan is interested in purchasing from private traders.

Many of the goods on this list are subject to overriding export restrictions and regulations in the United Kingdom.

Animal glue (crushed bone, sinews and hide fleshings).

Bauxite.

Carbon black.

Cork.

Dyes and toners (acid, basic, direct, chrome).

Fats, oils and waxes (raw materials from which fats and oils are derived).

Graphite, crystalline.

Graphite, amorphous.

Gums, resins and balsams.

Ilmenite.

Kaolin.

Kraft pulp.

Lacquer, natural.

Lead.

Bristles.

Raw cotton.

Hides and skins.

Jute.

Magnesia clinker.

Mica.

SHIPPING REVIEW

BRITISH SHIPPING AND BRITAIN'S ECONOMIC RECOVERY

A Principal Invisible Export of the U.K. — London's Resumption as the Centre of International Sea Traffic

(By a London Correspondent)

British economic life at present is largely dictated by the necessity to meet the deficit of the balance of payments. The strenuous efforts to increase exports and cut imports, the stringent measures to control public and private expenditure, the reduction of rations and the temporary lowering of the standard of living generally—all these features of the crisis programme pursue the aim of reducing that deficit or, as it is usually expressed, of saving dollars. It is not surprising that every source of foreign currency income grows in importance and is being accorded every priority in order to develop its dollar-earning capacity. The actions to promote certain promising export industries or the tourist trade are well known.

Until recently, not everybody seemed aware of the big part British shipping is again playing in this respect—namely of being a *valuable invisible export*. Its achievements, so loudly and deservedly praised during World War II, have been intensified indeed during the first post-war period. The recent triumphs of British passenger liners, on the resumption of their regular voyages after many years of hard war service, have come as a reminder of peace-time achievements. To review the position of British shipping as one of the vital indigenous industries, as a pillar of Britain's standing in international trade, as a major source of dollar revenue, and as an instrument of goodwill and quality service linking her with the world, therefore seems appropriate. Moreover, shipping derives added importance from its obvious connection with British shipbuilding, which in its turn is developing into a major export industry.

Paraffin wax, Grade I.
Paraffin wax, Grade III.
Petroleum products.
Pig iron.
Rosin.
Rubber (crude, scrap and latex).
Shell (for buttons).
Shellac (superfine).
Silicon steel (sheets).
Soda ash.
Talc.
Tanning materials.
Tin plate.
Tungsten concentrate (light bulb filament).
Ramie.
Raw wool.
Rayon pulp.

In our issue of Sept. 17, pp. 395/6, a full list of Japanese export commodities was published.

British shipping cannot reasonably be expected to regain its full preponderance of former days. Fundamental changes in the international and national economy and the effects of World War I exclude for ever the return of those times when, as in 1913, not less than 70 percent of the British visible trade deficit was covered by her shipping revenue. This proportion had fallen to 26 percent in 1938, when shipping still yielded a net income of about £100 million. In 1946, shipping receipts of £150 million and payments of £140 million left a net revenue of only £10 million, but a rapid increase for the current year is likely.

Re-opening of Transatlantic Crossings

As in so many other fields, the shipping industry is reflecting the disproportionate sacrifices Britain made in the interest of the common war effort, sacrifices which are now delaying and complicating reconstruction. But big strides towards recovery are already evident. The speedy re-opening of regular transatlantic crossings by renowned passenger liners is an example of resourceful direction of "invisible exports".

These ships, used for troop transports, had to be refitted and reconditioned thoroughly and despite shortages and austerity they are now up to their pre-war standard, thus reasserting their lead both against foreign competition and against the competition of the air liner. It was imperative to act quickly and meet the pent-up demand, while German liners are completely, and Italian ships mostly, out of operation. To build new vessels of this type takes years even in the most highly industrialised countries. With hundreds of thousands of prospective emigrants, business travellers and tourists, the immediate prospects in regard to passenger traffic are good. Britain can make use of its lead in numbers, comfort, speed and safety. Losses of British ships due to weather have always been extremely low, and now the development of the new navigating devices and of radar equipment gives added safety. As far as passenger traffic is concerned, one is justified in speaking of a real boom which is bound to continue within a measurable space of time.

Yet passenger transport occupies only a fraction of total shipping, and the overall picture must be seen in a different light. The more distant future depends entirely on world trade movements. The short-term outlook is

determined by various factors, of which the heavy losses by enemy action during World War II, and the virtual end of British coal exports are the most important. British merchant ships to the amount of 11 million tons gross were lost during World War II. The physical destruction of British shipping, including cargoes, was officially estimated at £700 million, based on the prices at the time of loss, and replacement costs are now considerably higher. The merchant tonnage (over 2,000 tons gross) owned in the United States, on the other hand, rose from 8.5 to 41 million tons by the end of 1946. The United States today owns more than twice as much tonnage as the whole British Commonwealth, whereas the proportion before World War II was the opposite.

The structural changes are even bigger than the figures indicated, because a large proportion of British ships lost was of high quality and specialised nature. This has led to exacting demands on the remaining specialised tonnage. Although much of Britain's new built tonnage consists of unspecialised dry cargo ships, the need for specialised types is receiving careful attention. This is strikingly visible in the development of the oil tanker fleets. At the end of last year, British tanker tonnage amounted to 4.3 million tons, dead weight or about 10 percent less than in 1939, whereas American tanker tonnage jumped during the same period from 4.4 to 14 million tons dead weight. But at present oil tankers amounting to 320,000 tons gross are under construction in Britain, as against only 26,000 tons gross in the United States. British tanker shipbuilding is more than half of the world's total, and this will rectify in due course the balance in the world ownership of tanker tonnage, about 18 percent of which belonged to Britain at the end of 1946, as against 22 percent in 1939. With the rapid increase of British and world oil consumption, the British tanker fleet is assured of remaining fully employed.

The unfavourable effects of the stoppages of coal exports on shipping cannot be denied, even if the consequences are outwardly less apparent at the moment owing to numerous other opportunities of using every available vessel profitably. Tramp shipping, which before World War II included nearly half of the tonnage used in the home and coastal trades and more than a quarter of the tonnage in the foreign trade, was based on outward cargoes of coal and homeward cargoes of grain and raw materials. British coal exports and foreign bunkers amounting to 94

million tons in 1913 and still reaching 46 million tons in 1938, were reduced to less than 9 million tons in 1946. This means that cargo shipping now very frequently leaves Britain in ballast, making the transport of home-bound freights correspondingly dearer. The impact of the temporary loss of coal exports and freight bunkers on the whole economic foundation of British shipping is obvious.

Expanding World Trade

Until coal exports can be resumed, the only compensation for tramp shipping will be an expansion of British overseas trade and world trade generally. For British shipping is not merely employed in goods traffic to and from its own country, it carries a great deal of cargoes between non-British countries. Before World War I Britain, possessing 39 percent of the world's total seagoing fleet, carried 47 percent of world imports which figure included 22 percent of imports of countries outside the British Commonwealth. The latter proportion had declined before World War II to 12 percent, still a weighty item; and 37 percent of the volume of trade between Commonwealth countries outside the United Kingdom were also carried in British ships. These figures illustrate how extensively British vessels are used in the transport of merchandise which never touches the United Kingdom, and how vitally British shipping, not less than British industry, depends on expanding world trade.

With the world merchant fleet in existence about 20 percent larger than before World War II but with world trade considerably shrunk, there would seem little need for immediate increase of tonnage. Present signs of lack of shipping space are frequently caused more by war dislocations and the need of specialized types than by overall shortages. Competition for cargo is already noticeable on some routes. But anticipating an increase of international trade, especially if the World Trade Conference and the Marshall Plan succeed, Britain is making great efforts to expand her own tonnage.

Since the end of World War II, British shipyards have been receiving contracts at the rate of about 1.5 million tons per year and producing at a rate of over one million tons per year. Over two million tons are under construction in the United Kingdom, as against 1.8 million tons abroad; more than half of the world's present shipbuilding activities is concentrated in Britain. This reflects high optimism concerning the future of British shipping, even considering that about 28 percent of the work in British yards (apart from repair work) is done for foreign account. Shipbuilding is thus again becoming a valuable export industry. With 1.5 million tons under construction and a further three-quarters-of-a-million tons on order for home companies, British and Colonial shipping is now estimated at over 14 million gross tons.

CONDITIONS OF CHINESE SHIPPING COMPANIES

The principal complaint by private shipping firms in China is the commandeering and virtual requisitioning of privately owned ships by the Chinese army and navy. Coastal and river shipping is often paralysed because of the wholesale commandeering of both private and Govt. owned ships. The leading Chinese shipping company is the Govt.-owned Chinese Merchants Steam Navigation Co. (C.M.S.N.) who have developed since the end of war many new lines along the China coast and commenced only recently several ocean routes. However, the progress of C.M.S.N. has been hampered just as well by the interference and control exercised by the military forces.

Rising Costs

The intensity of shipbuilding is also remarkable in view of the rising costs of shipbuilding. Certain types of vessels cost twice to three times as much as before World War II, and the rate of delivery is not so quick as the customers would wish. Although these factors cannot be overlooked, they do not alter substantially the hopeful views of the experts, and the same is true in view of the upward trend of the operating costs. Ordinary upkeep repairs are three times, and oil-fuel about twice pre-war cost. Important improvements in the pay and working conditions of ships' personnel must be met. Increases in monthly rates, new provisions for holidays, compensation for Sunday work at sea, social services, better promotion possibilities and, most important of all, security of tenure by two-year contracts contributed to put up running expenses considerably.

Yet the increase in outward freight rates, averaging about 100 percent in comparison with pre-war levels, is not regarded as having any adverse effects on exports; it is, in most cases, less than the rises in the prices of the goods shipped. That an equilibrium between the costs and revenues, as the very favourable accounts of most shipping companies prove, could be found, is important as signifying the stabilisation of adequate provisions for the personnel in an industry. This progress is happily completed by the new scheme for dock labour, under which each registered docker will receive a guaranteed minimum weekly wage. The casualisation of dock labour is thereby for the first time accepted on a permanent footing; for the first time in history the docker will enjoy security of income.

Rising costs in shipping have been partly offset by better economy. In 1946, the amount of cargo carried per 100 tons net of shipping exceeded that of 1938 by 40 percent in the case of imports, and more than 100 percent in the case of exports. But this was only possible by concentrating British ships on United Kingdom freights, a much larger proportion of cargoes of

The travelling public has been greatly inconvenienced as no fixed schedule can be promised in most areas of Central and North China; voyages are liable to be suspended for a long time; travellers may only be able to complete the first leg of a journey and then remain stranded; fees often have to be raised in view of the heavy expenses incurred by companies whose vessels have been temporarily taken over by the army; commercial freight may be offloaded far away from its destination on account of sudden military requisitioning and then no guarantee can be undertaken as to its continued transportation, etc.

which than before World War II is being carried in British ships. This shifting follows the priority British ships are naturally giving the transport needs of their country at the sacrifice of participation in the more remunerative employment between foreign countries. But British shipping policy is not restrictive in the sense of a protective trade policy. Even during the crisis before World War II, when British shipping had to be subsidised in order to survive, foreign competition was permitted and there was no discrimination in favour of British ships. In 1938, only 68 percent of the total imports (by value) and 56 percent of the exports were carried in British ships; the entire iron imports from Scandinavia, 90 percent of the wood imports from Europe, to mention but a few examples, arrived in foreign ships.

The continuation of this practice of free competition, together with the release of ships from Government service, the transfer of the executive management from the Government to the ship owning companies, and the relaxation of controls, will assist in restoring London to its place as an international shipping centre of first order. The London shipping bourse, which under the name of Baltic Exchange is almost as famous as Lloyds—for centuries the most reputed household word in shipping circles all over the world—already has resumed normal operations. The Baltic Exchange is the world's centre for chartering tramp ships, where hire or charter for single voyages or for periods ranging from a week to several years, are negotiated and concluded within a framework of old-established usages and with the exactitude of stock exchange transactions. The quotations of this stock exchange are not only indicators of the shipping situation in Britain, but this clearing-house of sea traffic is also a reliable barometer of world trade trends. Its activities mark the degree of the return of normal conditions in British shipping and of London becoming once again the nerve centre from where a large part of the world's sea traffic is directed.

Most companies claim that they have not been able to operate profitably since the military only paid token amounts for commandeered vessels. Foreign shipping has been exempt from the encroachments of the Chinese army and has thus fared well during 1946 and the current year. In view of the inability of Chinese private and C.M.S.N. shipping to take care adequately of the transportation of U.N.R.R.A. and other relief supplies to China, the necessity arose to request foreign shipping companies to assist in the coastal and, to a limited degree, inland river transportation of such supplies. At present British ships, under charter by the Chinese relief organisation (C.N.R.R.A.), which takes over from U.N.R.R.A. the goods and distributes them according to the Chinese Govt.'s instruction, continue to ply among China coast ports and between Shanghai and the inland river ports of Nanking and Hankow. The private shipping firms in Shanghai are opposed to this operation but they cannot help it since they themselves have not sufficient ships and those ships which are available are largely controlled by the military.

The progress and expansion of the civil war in China frustrates the shipping companies' hopes for an early resumption of regular business. With the intensification of fighting, private shipping is, willy-nilly, constrained to help the Nanking Govt. to survive the crisis. The large-scale military training of Chinese forces in Taiwan, undertaken by the American military mission in China, has immobilised a large percentage of private and C.M.S.N.-owned shipping as supplies and soldiers are to be continually transported between the Chinese mainland and Taiwan.

Shipping on the Yangtze is precarious; since the advance of the Communist forces across the Yangtze, river communications were at times interrupted but are at present carried on under wartime conditions. Every ship going up to Hankow is sailing in convoy or at least escorted by a Chinese naval gun boat. Many merchants no longer use the river for transporting their goods. While communications between Chungking and Ichang is still undisturbed (except by some small guerilla bands) cargo cannot securely be moved from Ichang to Hankow and from Hankow to Shanghai. It is possible that with the extension of fighting in the Hankow area and along the middle reaches of the Yangtze river communications will be limited to periodic convoys only and Hankow's trade may then be largely diverted to the South (Canton, Hongkong).

Private shipping firms complain also about the delay by the Government regarding the promised compensation of losses sustained by them during the war (as far as directly caused by Chinese Govt. actions or orders). Government agreed early this year to recompense Chinese private firms in the following form: 120,000 tons of shipping will be purchased by the Chin-

The arguments for the re-opening of Chinese ports such as Nanking and Hankow to foreign shipping have by now gained the support of a considerable sector of Chinese commercial and financial interests. Even many officials and experts in Government offices in Nanking advocate the re-establishment of normal conditions and desire to see the opposition put up by Chinese merchant shippers to relax their rabble-rousing campaigning for exclusion of the foreigners from China's great rivers.

American public opinion is strongly in favour of the admittance of British ships to China's inland shipping; before the war it was mainly two British companies who directly or as general managers maintained regular services along the great rivers of China, principally from Shanghai to Hankow. The American-owned Shanghai Evening Post & Mercury, in an editorial, did not mince words about the current inland shipping position. The article stated:—

"In the Chinese attitude toward foreign shipping there has been the rankest kind of injustice, certainly.

Instigated by Chinese shipping companies, which have not hesitated even to block UNRRA goods for the benefit of their own monopoly

ese Ministry of Communications (mostly from U.S. surplus stocks) at a cost of over U.S.\$10 million; about 35% of the cost would be defrayed by Govt. and the rest would have to be paid by the private shipping companies over a period of 10 years (no interest to be charged by Govt. for this loan of about U.S.\$6½ million).

While this agreement was considered by the companies as very unfavourable it was the utmost which Govt. was willing to concede as reparations from Japan were promised to be partly shared out to the shipping companies. The claim of the private shipping companies (excl. the C.M.S.N. which was a small enterprise only before the war) that they sustained during the war losses exceeding 296,000 tons was not contested by Govt., however, it was always made clear that the means of Govt. are limited and that its foreign exchange resources were becoming increasingly scarce.

Until now the Chinese Govt. has not purchased even one ship in performance of its agreement and the shipping firms, angered by army commandeering, were only left to lodge some more protests. The private ship owners are the more irate as the alleged scarce foreign exchange resources of Govt. have sufficed to acquire a large fleet on account of the official C.M.S.N. and funds which were originally set aside for compensation purchases have been finally diverted to Govt. purchases in the U.S.

and their own pockets, the National Government has found it difficult to give anything even remotely described as reciprocal treatment to foreign shipping.

It is necessary to define terms closely. Nobody expects that, with extraterritoriality a thing of the past, British or any other foreign steamship companies will retain rights of a sort ordinarily restricted to the companies of the home nationality. "Imperialism" is not running rampant in any sort of present requirements. But it is not thought any sacrifice of national sovereignty in any country of the world but China to allow ocean steamships to proceed inland to such points as the nature of the waters, and their own draught, permits.

For example, Chinese or any other ships may proceed hundreds of miles up the St. Lawrence. Chinese or any other ships may go up the Mississippi, the Columbia and many other rivers of other countries. But whereas the Yangtze is navigable by ocean vessels during most of the year as far up as Hankow, the pressure of Chinese shipping firms has caused the Chinese Government to take a most unusual, ungenerous and in every respect shortsighted attitude toward the navigation of China's relatively few major waterways.

There is even, so we have heard, a movement afoot to prevent such navigation of the Haiho as is possible. Foreign lighters may yet be barred from taking cargoes from Taku Bar to Tientsin, though up to now this has not happened. But the great abuse is in the Yangtze, where it is completely contrary to the natural position to compel ocean liners to stop virtually at the mouth of the river. (Some believe that this movement may yet close even Shanghai and compel liners to discharge outside Woosung—perhaps out around the Fairy Flats!)

Nanking, Kiukiang and other ports are of course closed to the foreign vessels which should be permitted to proceed direct to them, but the great tragedy is Hankow. This formerly thriving port is starving to death, from all accounts. Chinese shipping is completely inadequate to handle the traffic, but even though it were, there is no economic justification for a compulsory trans-shipment of goods merely to give an unjust advantage to home shipping over a haul which by the ordinary international usage should be wide open to shipping of every nationality.

If the British boggle in their commercial treaty negotiations over this point, it is a service to everyone. Perhaps it may yet drive home a sense of the facts to the Chinese Government, though of course it is utterly hopeless to expect that the Chinese shipping interests will ever

HONGKONG'S SHIPPING REPORT FOR OCTOBER

Registering an increase of 25,913 tons over the previous month, shipping returns for October reached a record monthly figure for the year. During October, a total of 927 ocean and river ships aggregating 1,467,398 tons called on and left Hongkong for abroad; the previous monthly record was 1,441,485 tons which was registered in September. Of the tonnage recorded in October, ocean going vessels accounted for 1,279,354 tons and river steamers for 188,044 tons, the former showing an increase of 3.7 percent and the latter a decrease of 9.5 percent when compared with the respective tonnage for the previous month.

In the river traffic British shipping maintaining the leading place was responsible for 160,596 tons, or 85.4 percent with Chinese vessels taking second place with 26,888 tons or 14.3 percent, while the French flag accounted for the remaining 560 tons or 0.3 percent. It is the first time since liberation that any French flag river boat was recorded in the Colony's river traffic which has been maintained only by British and Chinese vessels. The two small French boats totalling 560 tons recorded in October left here for Macao on way to Haiphong. The drop in the river shipping tonnage in October was attributed to the resumption of through train traffic between here and Canton following the settlement of the Hongkong general mechanics' strike towards the middle of September.

Of the October total of ocean going ships' tonnage, British tonnage accounted for 524,048 tons or 41 percent; followed by American vessels with 348,827 tons or 27.3 percent, Dutch steamers with 158,799 tons or 12.4 percent and Chinese ships with 71,350 tons or 5.5 percent, while Danish, French, Norwegian, Panamanian, Philippine and Swedish ships accounted for the remaining 176,330 tons or 13.8 percent. European shipping tonnage, excluding British vessels, claimed 311,999 tons or 24.3 percent of the total ocean going ships' tonnage.

Taking the ocean going and river steamers' tonnage together, British ships ranked first with 684,644 tons or 46.7 percent and American vessels second with 348,827 tons or 23.8 percent; Dutch boats were third with 158,799 tons or 10.8 percent, Chinese craft ranked fourth with 98,238 tons or 6.7 percent and Norwegian steamers fifth with 69,555 tons or 4.7 percent. The remaining 7.3 percent or 107,335 tons were accounted for by ships flying other national flags.

relax their efforts to cinch their monopoly ever-tighter, however inadequate and expensive the service they give. That last issue is beside the point, in any event. What China must face is that she is doing herself very positive harm, increasing consumers' costs and blocking trade, by denying ordinary international practice in failing to classify as normal ocean ports such cities as Hankow."

Commercial Cargo

The total deadweight commercial cargo, excluding Government and H.M. Forces stores, carried in and out of the Colony by ocean going steamers in October amounted to 268,977 tons, showing an increase of 51,601 tons, or 24 percent over the previous month. The commercial cargo discharged and loaded by river boats in October totalled 21,996 tons, or 32 percent over the tonnage recorded in September.

Of the total cargo handled by ocean going vessels, 194,688 tons were discharged here and 74,289 tons loaded for abroad. River craft brought in 13,829 tons and left with 8,167 tons of commercial cargo in the month under review.

Showing a drop of 13.2 percent when compared with the previous months, these 927 ocean and river steamers carried into and out of the Colony a total of 111,757 passengers. Arrivals were 29,920 by river boats and 29,110 by ocean vessels; departures were 33,922 by river and 18,805 by ocean steamers. Total arrivals by ocean and river craft were 59,030 and departures were 52,727; more than 6,000 passengers landed in the Colony in October than took off for abroad.

Bunker Coal & Oil:—Ocean and river vessels loaded 13,351 tons of bunker coal and 14,608 tons of bunker oil. Ocean vessels bunkered 10,622 tons of coal and 13,777 tons of oil, while river craft bunkered 2,729 tons of coal and 831 tons of oil.

JUNKS & STEAM LAUNCHES

A decrease of 3.4 percent was recorded in the October tonnage against the previous month. Total tonnage of trading junks and launches under 60 tons entering from and leaving for South China river ports and Macao amounted to 193,177 tons. They brought in 21,824 tons and left with 19,494 tons of commercial cargo which was an increase of 5.7 percent over the previous month. (Total 41,318 tons of commercial cargo.)

Altogether 4,477 passengers arrived in the Colony and left for South China river ports and Macao aboard junks and launches in October. The number of passengers showed a decrease of 7 percent, or 365 persons when compared with September. Arrivals in October were 1,161 and departures were 3,316.

Following are the returns of motor and sailing junks and launches under 60 tons each (in foreign trade) for the month of October:

		ARRIVALS.	
		Tonnage	Tonnage of Cargo
Junks	.....	91,462	21,802
Launches	.....	4,009	22
Total	.....	95,471	21,824

		DEPARTURES	
		Tonnage	Tonnage of Cargo
Junks	.....	93,493	19,384
Launches	.....	4,213	110
Total	.....	97,706	19,494

HONGKONG SHIPPING RETURNS

Arrivals For The Month of October, 1947.

Ships and Tonnage of Steamships										
Flag	Ocean Steamers		River Steamers		Total	Cargo River Steamer	Passengers River Steamers	Passengers Ocean Steamers	Passengers Total	
	No.	Tonnage	No.	Tonnage	No.	Tonnage				
British	97	262,197	172	80,190	269	342,387	9,769	25,797	13,596	39,393
American	33	168,594	—	—	33	168,594	—	—	—	—
Chinese	42	35,097	72	13,843	114	48,940	4,060	4,123	2,748	6,871
Danish	5	18,118	—	—	5	18,118	—	—	287	287
Dutch	13	77,259	—	—	13	77,259	—	—	7,328	7,328
Norwegian	14	32,597	—	—	14	32,597	—	—	1,311	1,311
Panamanian	8	17,083	—	—	8	17,083	—	—	7	7
Philippine	5	11,065	—	—	5	11,065	—	—	48	48
Swedish	2	5,656	—	—	2	5,656	—	—	—	—
Total										
Foreign	122	365,469	72	13,843	194	379,312	4,060	4,123	15,514	19,637
Total	219	627,666	244	94,033	463	721,699	13,829	29,920	29,110	59,030

Departures For The Month of October, 1947.

Departures For Foreign Ports										
	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage	No.	Tonnage
British	94	261,851	173	80,406	267	342,257	5,998	32,618	6,270	38,888
American	34	180,233	—	—	34	180,233	—	—	2,209	2,209
Chinese	40	36,253	69	13,045	109	49,298	2,169	1,304	1,358	2,662
Danish	6	19,968	—	—	6	19,968	—	—	470	470
Dutch	13	81,540	—	—	13	81,540	—	—	6,980	6,980
French	1	1,653	2	560	3	2,213	—	—	12	12
Norwegian	17	36,958	—	—	17	36,958	—	—	1,437	1,437
Panamanian	8	13,812	—	—	8	13,812	—	—	21	21
Philippine	5	11,065	—	—	5	11,065	—	—	48	48
Swedish	3	8,355	—	—	3	8,355	—	—	—	—
Total										
Foreign	127	389,837	71	13,605	197	403,442	2,169	1,304	12,535	13,839
Total	221	651,688	244	94,011	464	745,699	8,167	33,922	18,805	52,727

THE FUTURE OF COOPERATION BETWEEN BRITAIN AND BURMA

The signing of the Anglo-Burmese Treaty and the return of independence to the Burmese people opens a new chapter in the history of the relations of Britain with Far Eastern nations. In previous issues of this Review, viz. Sept. 10 (Review of the Economy of Burma) and Oct. 29 (Report on the Situation in Burma) current developments in Burma were described. In the following account of the London New Statesman & Nation, the possibilities of close cooperation between the British and Burmese people are reviewed.

The remarkable broadcast in which Thakin Nu, Prime Minister of Burma, welcomed the Treaty which he had just signed with the British, heralds a new epoch in our history, indeed in the history of Empire. For, as the Burmese Premier did not hesitate to say in the frankest and friendliest terms, the Burmese had, until the other day, looked on us as conquerors and oppressors and now had only the warmest feelings about us because we had of our own free will given them back their freedom and independence. Such a voluntary transfer of power is unprecedented; it admits a wrong and it should inaugurate a happy future. The annexation and extinction of the Kingdom of Burma in 1885 was one of the most unjustifiable of British Imperialist ventures. It arose out of a dispute between Thibaw, King of Burma, and an English trading firm. Thibaw, who was certainly in the wrong, had rigged a legal judgment against the firm by way of obtaining from them, for his personal use, a quarter of a million pounds. The Viceroy of India demanded that the case be put to arbitration and, on Thibaw's refusal, despatched an expedition of conquest which reduced the country from the status of an independent Kingdom, which had stood a thousand years, to that of an additional province of India.

The blow to Burmese national pride was acute and, in the view of its first British Governor, totally unnecessary. A protectorate, or a treaty relationship similar to that with Nepal, would have been fully adequate to safeguard British trading interests. Instead, the insensate and insensitive passion for direct administration, which then prevailed, won the day. It was a poor return for the Burmese whose King Mindon, an excellent ruler, when urged to take his opportunity to attack the British during the Indian Mutiny and regain territory already lost to them, had replied: "We do not strike a friend when he is in distress."

From then on, whatever case can be made for it in India, British rule in Burma was for the most part a failure. It ignored the fact that, unlike India, here national pride and consciousness had for a thousand years gone deep into the roots of the people.

It flouted Burmese institutions and it governed by a system which was doubly remote from the country. First because it was run on British-Indian lines. Secondly, because the British element of the bureaucracy for many years mainly consisted of officers seconded from the Indian Civil Service for too short a time to overcome their impersonal approach. It was inevitable that Burma should not for ever escape the impact of the West. But the abrupt and clumsy form which it took under British auspices upset and disorganised a people capable of absorbing new concepts in a leisureed and ordered manner more suited to their national characteristics. Not until 1937, by the separation of Burma from India, did Britain really begin to recognise her mistakes. By that date much damage had already been done. Subordination to India had led to the holding by Indian money-lenders of four-fifths of the £45 million agricultural debt. In addition, a million Indian immigrants, unwanted by the Burmese, had been introduced and more were on the way. Both these factors still throw their shadow across Burmese relations with India.

With so unpopular an administration as a background it is astonishing that our rule in Burma should be ending so cordially and so smoothly. For this, chief praise on the British side must go to Mr. Attlee who saw, as he saw in India, that widespread national aspirations must be met promptly and fairly. It is also due to the fact that the Burmese, while opposed to the British as rulers, had never been opposed to them as a race and wisely realise the need they have for their assistance, without which they cannot develop the great natural resources of the country. Nor do they wish to stand entirely unprotected between two such large neighbours as India and China. Hence the signing last week of a treaty which takes Burma out of the Commonwealth and yet creates the most solid ties between her and Britain. Burmese national pride is restored, but not at expense of her basic interests.

Economic Assets of Burma

The assets of Burma are rice, oil, timber and various metals. Rice she can perfectly well produce and export (her pre-war surplus was 3¼ million tons) without European help. The other industries require capital, equipment and, above all, technical knowledge, so far not available in Burma, to bring them to a level at which they will contribute to a general raising of the standard of living. Most of the oilfields, producing pre-war 6½ million barrels a year, are leased to the Burmah Oil Company, which has proved in the past to be, on the whole, a good employer. The new Government has shown no inclination to repudiate contractual undertakings made with it but rather to encourage

it to get the oilfields working once more. Probably a similar attitude will be adopted towards the other commercial undertakings for the mutual advantage of both countries. Certainly Burma is not likely to turn elsewhere than to Britain for technical advice or for the imports of machinery and manufactured goods. The same increase that has taken place in British imports to India since the war can be anticipated for Burma. Similarly, in defence, Burma has not hesitated to rely on Britain for the training of her three Services, nor is it in her interest to create any gap in the Commonwealth defence structure.

Present Political Situation

Since the appalling murder of Aung San and several of his colleagues there have been gloomy forebodings that Burma might be thrown over to internal chaos. The alleged implication of some British officers as accessories to the assassination plot has also increased the fear that relations with Britain would become strained. Fortunately, neither of these things has happened. Thakin Nu by his skill and firmness has kept Burma steady on the road to independence, and has most capably and tactfully resolved the difficulties with the hill tribes. He has still, however, to deal with the widespread banditry which presents a continuing menace to authority and prevents peaceful agricultural production. This has been stimulated rather than decreased, by the indiscriminate issue of arms to individuals and organisations, in the belief that they would be able to assist in putting down disorder, but which, through insufficient supervision, have largely allowed the arms to get into the wrong hands. The proper place for arms in a democratic society is with the army of the police, and it is now to be hoped that the Burmese Government will undertake a vigorous policy of calling in the arms already distributed. Other pressing problems will arise after Independence Day. One is the ability of A.F.P.F.L. to hold together once their unifying objective of freedom has been achieved. Another is how far the capacity of the civil service, denuded of its British officers and lacking experienced Burmese officials, must be, in the near future, a limiting factor on schemes for immediate socialisation which a substantial element of A.F.P.F.L. will undoubtedly demand. Such problems will multiply, but the manner in which Thakin Nu has dealt with current difficulties justifies confidence in his handling of these that will soon confront the new independent Government.

For Britain, Mr. Attlee, together with General Rance, the present Governor, and the three junior Ministers who have all carried out negotiations in Burma during the last year, have ensued friendship. Burma now re-assumes her nationhood without a struggle and with the minimum of bitterness and the maximum of confidence and trust on both sides. It is a new epoch and a welcome one.